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THESIS

**JAPAN'S AND CHINA'S ECONOMIC GROWTH AND
ENERGY HUNGER IN COMPARATIVE AND
HISTORICAL PERSPECTIVE**

by

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COMPARATIVE AND HISTORICAL PERSPECTIVE**

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ABSTRACT

Like Japan in the 1970s, the People's Republic of China is currently facing economic growth measured in double-digit numbers. As both countries have faced, and continue to face, energy resource scarcity to feed their economic growth, they have reached out to the world to get these resources.

How did Japan and how does today's China ensure access to needed energy resources like oil and gas? How can these efforts be viewed according to international relations theory? Both countries use oil-producing companies, financial/development aid, and strong government support directly to domestic companies and within accompanying policies and negotiations to support their companies. The Japanese government tapped economic growth to become a global economic power, but is China more interested in using economic growth to maintain the ruling party's power and the government itself? In terms of international relations theory, Japan and China show a realist approach in feeding their energy hunger, with the difference that Japan was and still is much more integrated into a variety of international organizations. This difference shows a bit of a liberal-institutional approach, but with realist goals set by the state. Although this thesis makes this comparison and applies international relations theory for a better insight into the economic development and long-term goals of Japan and China, it cannot specifically predict China's future relationship with resource-rich countries and the international community.

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LIST OF ACRONYMS AND ABBREVIATIONS

CCP	Chinese Communist Party
CDB	Chinese Development Bank
CNOOC	Chinese National Offshore Oil Company
CNPC	China National Petroleum Company
Eximbank	Export/Import Bank
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
IEA	International Energy Agency
IMF	International Monetary Fund
JPDC	Japanese Petroleum Development Corporation
LDP	Liberal Democratic Party
MITI	Ministry of International Trade and Industry
NOC	National Oil Company
PRC	People's Republic of China
UN	United Nations
WTO	World Trade Organization

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I. INTRODUCTION

This thesis will explore similarities and differences in the basis of economic growth and the rise to prominence of Japan and China. It will examine parallels in terms of two interconnected sets of consequences. The first is China's need for resources like oil and gas and its outreach to the rest of the world (in and beyond Asia) to get these resources. Is China's hunger for such resources comparable to Japan's during its rapid development phase three decades earlier? Second, is there a difference in terms of how international relations theories can be applied to the behavior of the two countries, particularly toward neighboring countries? Both of these questions have important bearings upon the Western economies for their own interests and development and this thesis will also touch upon these issues.

A. IMPORTANCE

At the end of World War II, the world found itself divided into two opposing sides, with two different political systems. Not only did both sides participate in an arms race against each other, but competition also took place in terms of economic growth. During the ongoing Cold War, Asian nations sought to stimulate their economic growth in order to catch up with the Western economies, particularly those of the United States and West and Central Europe. Japan, Korea, Taiwan, and other East Asian countries all sought to accomplish this by taking over the roles of manufacturing and assembly for Western economic production. As one of the first countries to do so, Japan began its economic growth early on and soon leapfrogged over many of the older industrialized nations. It went so far as to necessitate agreements according to which the Japanese agreed to voluntarily reduce their exports (such as cars) in order to protect Western economies.

Following the death of Mao Zedong in China, his successor, Deng Xiaoping, prepared and initiated an economic race to catch up with every other economy in the region and beyond. Since that time, economic growth of close to 10 percent annually has been achieved, lifting a third of the Chinese population out of poverty, the largest such

advancement observed thus far in the history of mankind. Its growth continues unchecked, and the ultimate outcome of this growth is impossible to predict.

Along with this rapid growth comes an increasing hunger for resources to sustain further development and growth as well as to retain economic power itself. How does the Chinese government foster economic growth? What is China doing to feed its hunger for resources? Similarly, what did Japan do at the peak of its growth? Are there similarities to be found between the two nations? How is China handling its growing economic power with respect to its resourcing needs? Is this power being used purely for the welfare of the Chinese population or will China also use its power to influence its neighbors and other nations to keep its hunger for resources satisfied and its economy growing? Will China gain further influence to become a hegemon on the global economic and political stage?

These questions are best examined by taking the political background of the People's Republic of China into account. Officially one of the last communist regimes in the world (along with North Korea and Cuba), China was able to avoid collapse at the end of the 1980s when the Soviet Union and many of its satellite states abandoned communism for democracy. Led by a one-party-state with an authoritarian regime, how does the Chinese economy function? Are there differences between the Chinese and Japanese development trajectories, with a particular emphasis on resource needs? The thesis will, finally, consider the effects of Chinese and Japanese resource need on regional neighbors, as well as the potential implications for Western economies.

B. PROBLEMS AND HYPOTHESES

To answer the question of whether China's economic growth and its expansion into the global sphere are comparable to Japan's growth of three decades earlier, I need to lay the theoretical foundation with regards to international relations to effectively measure the development of these two countries. Three specific international relations theories will form the background of this paper: power transition theory, a theory of interdependence or liberal institutionalism, and constructivism.

Power transition theory, as a component of hegemonic realism,¹ posits that war is likely to follow when one nation undergoes a leapfrogging development and thereby overtakes other countries, causing them to feel threatened by this development.² The first hypothesis, according to this theory, would be that a war between China and Japan (or China and other economically powerful nations) would seem to be inevitable if China develops hegemonic interests. Chinese development, therefore, must be watched with caution, particularly because the new structures in the modern world, such as economic power, play the major role in international competition. Armed forces today support economic force rather than replace it, and therefore play only a subordinate role.³

Liberal institutionalism argues that states with a common history and cultural background are capable of institutionalizing laws, norms, and rules.⁴ Furthermore the institutions of open markets and free trade foster stability and a peaceful coexistence.⁵ Japanese development appears to have taken place while Japan was embedded in different international organizations, which made a Japanese hegemony interest rather unlikely. A second hypothesis, according to this second theory, would be that China's outreach to the world, if engaged in without joining international systems, demonstrates clear hegemonic interests. An increasing contribution to and alignment with existing treaties, and perhaps the development of new alliances with China as the main player, might signal a different Chinese approach.

The theory of constructivism claims that social behaviors (human interactions) affect international relations more than institutions, norms and laws, or natural structures

¹Jack S. Levy, "War and Peace," in *Handbook of International Relations*, eds. Walter Carlsnaes, Thomas Risse, and Beth A. Simmons (London: SAGE Publications, 2002), 355.

²Duncan Snidal, "Rational Choice and International Relations," in *Handbook of International Relations*, ed. Walter Carlsnaes, Thomas Risse, and Beth A. Simmons (London: SAGE Publications, 2002), 83.

³John W. Burton, *International Relations: A General Theory* (Cambridge: Cambridge University Press, 1965), 142.

⁴Andrew Hurrell, "Norms and Ethics in International Relations," in *Handbook of International Relations*, ed. Walter Carlsnaes, Thomas Risse, and Beth A. Simmons (London: SAGE Publications, 2002), 142.

⁵Michael Haas, *International Conflict* (New York: The Bobbs-Merrill Company, 1974), 317.

do.⁶ Martha Finnemore takes this idea even further, asserting that national interests are more likely to be met through interaction and communication than simply through discovery and exploitation.⁷ The third hypothesis, based on the theory of constructivism, would be that Chinese developmental interests and economic growth are formed by the economic performance of its neighbors and China's outreach to the world is done in conformance with the nations and neighbors concerned.

C. THEORIES

These three theories differ in terms of their implications for the core research question in this thesis. Snidal, Levi, Burton and Organski state that war is inevitable if one nation, formerly poor and underdeveloped, begins to overtake developed countries. Since states will not passively accept a loss of power and influence, they are likely to start wars to sustain their global (or regional) positions. If this assertion proves accurate and the hypothesis correct, it would be careless to allow the Chinese to continue their path of development without insisting that they reform their political system just as they have reformed their economy.

The international/institutional theory has been proposed and supported by Hurrell, Haas, and others. They believe, based on their observations, that states engaged with each other in alliances and treaties share similar cultural roots, or at least share similar legal systems, norms, and rules. Therefore, free markets and open economies, which tend to support this theory—as all players on the economic field must act according to the same rules—foster peace and cooperation. Therefore, if opportunities arise to engage China in an increasing number of alliances, its efforts to become a local or even global hegemon might be hampered and the associated threat towards Western economies could be avoided.

The third theory, constructivism, is supported by Wendt and Finnemore. As the opposing theory to power transition theory, the bases of constructivism theory as it

⁶Alexander Wendt, *Social Theory of International Politics* (Cambridge: Cambridge University Press, 1999), 1.

⁷Martha Finnemore, *National Interests in International Society* (New York: Cornell University Press, 1996), 2.

pertains to international relations are social interactions instead of laws, rules, or self-interest. National interests, according to this theory, are a product of communication amongst states. According to this theory, there are no goals on the part of China to become a global or local hegemon if there is no other country claiming this role for itself.

D. JAPAN

The first country to be introduced in this thesis is Japan. As a late industrializer (it took its first steps towards industrialization with the Meiji Restoration during the second half of the nineteenth century), it experienced remarkable catch-up after World War II, with growth rates of up to 10 percent per year. After being halted by the oil crisis in 1973, the economy recovered and achieved a GDP growth rate of up to 3.5 percent annually.⁸ McClain and Bernstein describe the growth of the Japanese economy since the mid-twentieth century as seeming to be comparable to Chinese growth decades later. Although the war destroyed most Japanese industry, the nation's pre-war knowledge and achievements helped it quickly rebuild the needed industrial infrastructure. As the old Zaibatsu-system was replaced by its successor, keiretsu organization, the Japanese economy was able to rely on old connections and retained a form of organization that provided economic incentives and a simple structure supporting bureaucratic and governmental control and steering.

Chalmers Johnson highlights the role of the Japanese government in this economic miracle, as it was termed by Western media. With the Ministry of International Trade and Industry (MITI), a governmental instrument, in charge, and with the support of the Ministry of Finance and various other ministries, the Japanese long-term ruling party, the Liberal Democratic Party (LDP), was able to help Japan achieve this economic development. With the end of World War II, Japan became dependent on foreign economic help, especially from the U.S. With the outbreak of war in Korea, the Japanese economic system was supported with capital from the U.S. to meet the needs of the fighting forces in Korea. As McClain describes, this soon led to strong Japanese growth, which made the country a global economic giant with strong local trading connections.

⁸James L. McClain, *Japan: A Modern History* (New York: Norton & Company, 2002), 572.

Akao, Olsen, Ohkava, and Rosovsky describe the paucity of raw materials in Japan, which made it necessary for Japan to engage in various treaties and alliances to keep its supply lines open to import the needed raw materials. The share of these raw materials in terms of total percentage of Japanese imports reached more than 70 percent in 1965,⁹ and their nonappearance was seen as a threat to further economic growth. To sustain economic growth, it was important to continuously purchase and import these raw materials. The country's dependency on these imports was best demonstrated when the oil crises of 1973 and at the beginning of the 1980s occurred. Olsen describes the vulnerability of the Japanese economic system, as it was unable to function on a self-sufficient basis.¹⁰ But as described in the *White Paper on Japanese Economy 1984*, the amount of foreign direct investment to develop resources was declining, as foreign direct investment (FDI) shares were increasing in manufacturing industries in advanced nations, which shows a change in the Japanese approaches in the mid-1980s.¹¹

It will be shown in this thesis that the Japanese approach in the late 1970s and early 1980s hews most closely to realist theoretical ideas, as Japan's foremost goal was the state's survival and furthermore to become a global economic power, leaving the Western industrialized nations behind. With the conditions on developmental aid, to buy Japanese products and knowledge further showed a protectionist approach, which can be assessed as a realist theory perception. But with the early integration in varying international organizations and the strong ties with the U.S., there are still some elements that a liberal-institutional theoretical approach makes clearer.

E. CHINA

With the death of Mao Zedong and the establishment of Deng Xiaoping as the new leader in China, the country began its economic growth process (Guthrie, Guo, et al.), which seems to be unique among nations. The existing literature describes the economic development of China as outstanding, with the Chinese government and its

⁹Kazushi Ohkawa and Henry Rosovsky, *Japanese Economic Growth: Trend Acceleration in the Twentieth Century* (Stanford: Stanford University Press, 1973), 188.

¹⁰Edward A. Olsen, *Japan: Economic Growth, Resource Scarcity, and Environmental Constraints*, (Boulder, CO: Westview Press, 1978), 63.

¹¹*White Paper on Japanese Economy 1984* (Tokyo: Business Intercommunications, 1984), 80.

entrepreneurs able to sustain a growth in GDP by 9 percent over the last two and a half decades.

Guthrie describes the micro-setting for this economic development, having been initiated by Deng Xiaoping's reforms (e.g., dual-track/market-price system, local township enterprises, and special economic zones), in terms of how it laid the foundation for this growth.¹² The step-by-step reform process directed by the Chinese Communist Party (CCP) since 1979 proved successful, and the change from an agricultural collectivized economy into being the world's power- and production-house lifted huge portions of the Chinese population out of poverty. Guo's examination of this development focuses more on interregional differences and their associated challenges and the overall increased need for resources, raw materials, and energy.¹³ To change the economic system from a command and planned Soviet-style economy into a market-oriented economy, and to change from a rural, agriculturally driven economy to an industrialized urban economy, an increase in energy and raw material consumption was inevitable. In addition, it seems to have been important for the CCP to sustain this economic growth to stay in power, as all literature sources assert. Taking this into account, the Chinese need for resources is not only driven by economic demands per se, but further by party demands to keep the population employed, satisfied, and therefore calm and peaceful.

Ear and Cáceres specifically point to the Chinese hunger for resources, especially concerning crude oil.¹⁴ The Chinese need for resources is increasing as its growing industrialization and motorization enhances the need for fossil fuel energy carriers, primarily oil. Furthermore, these researchers emphasize the geopolitical implications of this development. As the Chinese approach to pursuing resources differs from the approach of the Western old economies, there are expected difficulties and

¹²Doug Guthrie, "China and Globalisation," in *The Political Economy Reader: Markets and Institutions*, eds. Naazneen H. Barma and Steven K. Vogel (New York: Taylor and Francis, 2008), 399–423.

¹³Rongxing Guo, *How the Chinese Economy Works: A Multiregional Overview* (New York: St. Martin's Press, 1999).

¹⁴Sigfrido Burgos Cáceres, and Sopal Ear, *The Hungry Dragon: How China's Resource Quest Is Reshaping the World* (New York: Taylor & Francis Group, 2013).

negotiations.¹⁵ The U.S. and the European countries are concerned with political developments in the oil producing countries and regularly point to the Washington Consensus as being a recipe for achieving economic growth and prosperity. The Chinese government has always emphasized its non-interference with national political challenges and differences. The best example of this is Angola; while the Western world wanted political reforms and more transparency concerning corruption before any credit was given to rebuilding the country after its devastating civil war, China offered a high value credit to the country without any caveats or conditions.

The Chinese growth of the last several decades has been the subject of a variety of research studies and books. The development of and the need for a first technological transfer into China, the subsequent economic growth, and the change from an agricultural economy to a highly industrialized economy is described in detail by different authors. The last several years have seen an increased interest in the Chinese resource hunger and its influence and outreach in the world. Although China does have various metal resources, compared to its population, these are relatively small, and the lack of availability of sufficient fossil fuel resources to feed its energy hunger makes its search for foreign deposits inevitable. As these resources are required by every industrialized economy or society, there is rigorous competition to gain access to them. The Chinese approach to pursuing resources differs from the approaches used by the old economies, which frequently makes the Chinese a more feasible trading partner, as it does not make its assistance contingent caveats and conditions that the resource-producing countries might not want to be burdened by.

China does not have any liberal-institutional theory approach in his ways to get access to foreign resources. Even if there is no interest to become a regional or global hegemon, as this is denied on varying occasions by Chinese officials,¹⁶ the accumulation of economic power and the need to sustain this growth by sufficient energy supplies is important. Although the Chinese military modernization effort is not part of this paper, it currently shows the transfer from latent power into effective power. So economically the

¹⁵Ibid.

¹⁶Andrew, Scobell, *China's Use of Military Force: Beyond the Great Wall and the Long March* (Cambridge: Cambridge University Press, 2003), 30.

realist theory best explains the Chinese resource activities. If and when they might use the military to become a regional hegemon is hard to predict. Their ways to get access to foreign resources show at least less interest in issues such as human rights, authoritarian systems, or civil wars, if the needed resources are in a particular country.

F. METHODS AND SOURCES

The thesis is a comparative study. The two Asian economic giants, Japan and China, will be compared with regards to their economic development, the roles their government played and still play in their economic development, and finally how their outreach efforts to the world to gain resources (and the influence necessary to secure these) differ or are similar. Japan is clear to identify on a map. With respect to China, this thesis examines the People's Republic of China and will not include Taiwan; therefore, the terms China and the People's Republic of China (or PRC) are used interchangeably. This research does not involve human subjects. The sources for this paper are exclusively books and articles. As the sources describing Japanese development, in particular, are older (as its economic miracle took place in the second half of the twentieth century and its economy since the Asian financial crisis in 1997 has slowly recovered), the sources for China will be more recent literature, as Chinese energy security needs are subject to current varying studies.

As this paper looks more into the tools and means used by Japan in the 1970s and 1980s and compares them with those the People's Republic of China uses currently, only a few statistics are provided. The aim is to show the use of the tools themselves, as numbers cannot explain these. Due to the different times when both countries started their economic leapfrogging, the different size of those economies, the opacity especially for Chinese numbers might compare the varying amounts of oil, gas, or money both countries needed and used. But they cannot explain the means and the tools both countries used to get access to resources or get them for their economies.

G. OUTLINE

After this introduction, the Chapter II contains the theoretical background concerning the international relations theories being applied in this thesis and the

hypotheses resulting from these theories. In Chapter III and Chapter IV, the economic development of the two countries (China and Japan, respectively), the role of their governments, and their access to energy resources like oil and gas are described. Both chapters are similar in their structure. The tools of oil-producing companies, financial/development aid, and governmental support will be highlighted, as these are the elementary means for both countries to get access to foreign resources. For all cases examples are included. While in the chapter on Japan they are integrated within the chapter, this topic gets its own case-study section in the chapter on China. As China is more diversified with its supplying countries, the People's Republic of China uses varying methods in different countries, whereas the Japanese approach has focused on one area in the world.

Chapter V compares both countries according to the same structure used in the previous parts. Oil-producing companies are compared first, followed by financial/developmental aid, and finally governmental support. The comparison is done by looking into similarities and differences between the two countries. Furthermore, their approaches are compared with respect to the international relations theories mentioned in the Chapter II. It is shown that the power-transition theory (and its underlying realism theory), and the liberal-institutional theory can be recognized within the two countries' approaches. The constructivist theory is more difficult to identify within the countries ways to get access to the needed resources. Only the Chinese copying of loan-for-oil-deals can be seen as a Constructivist approach, as the Japanese imposed those deals on China, and they copied that way later. More than that there is no further clear systemic or organizational influence to recognize, which could affect either of the two countries in the way they try to get access to the needed resources. Chapter VI concludes the thesis with a summary of the research as well as considers the challenges of predicting China's future growth and methods of feeding its hunger for resources and its impact on international relations.

II. INTERNATIONAL RELATIONS THEORIES

To answer the question of whether Chinese economic growth and its expansion into the global world are comparable to Japan's growth of three decades earlier, and if this development implies hegemonic Chinese interests, I need to lay the theoretical foundation with regards to international relations to effectively measure the development of these two countries using the relevant theories. Three specific international relations theories will form the background of this paper: the power transition theory, the liberal international/institutional theory, and the constructivism theory. While the realism theory will be explained at length in the following pages, the liberal-institutional theory and the constructivism theory warrant briefer treatment. The realism theory in its facets is the oldest theory of all and has a lot more core assumptions as its base, and thus needs more description. Liberal institutionalism and later constructivism are more recent, in terms of this paper; therefore, the explanation of these theories can be kept shorter. Especially the constructivism theory as a follow-on development of the institutional theory only takes the hypothesis further.

The first section will explain the realist theory. Here the international anarchic setting and the core state's interests of survival and increase in power to become a hegemon (at least regionally), according to John J. Mearsheimer, will be explained first. In addition to these core assumptions, A. F. K. Organski's idea of power transition will be described, as this theory seems to indicate best how the economic development of the People's Republic of China can be perceived and assessed. While Organski theoretically sees the chance of a forceful containment of the challenger by the status-quo power, he looks into history to claim that this has never happened; rather, the challenger has typically started a war to change the international situation to become the powerful hegemon. Jack S. Levi assumes that the containment war started by the status-quo power is as possible as the way described by Organski. The hypothesis that comes out of this theory is that China's economic growth, like Japan's three decades earlier, will ensure the state's survival and give it the chance to become a regional hegemon in Asia. All efforts by the state are taken to achieve this goal; therefore, the other Asian countries and the old industrialized Western nations will be challenged by this development.

In the second part of this chapter the liberal-institutional theory is explained. As institutions fulfill different tasks, the roles of international organizations are particularly important for this paper. International institutions can and do influence countries within the international architecture. State interests can be changed to conform to international norms and laws, and therefore, these institutions can influence a nation to the benefit of all other nations. Especially Bruce Russett and John O'Neal evaluate empirically the role of institutions and their function in providing peace and development. According to this theory, the hypothesis is that an integration of the People's Republic of China into different organizations will help to influence its behavior in a way that the global community and the PRC get the biggest possible benefits out of this development. As Japan after 1945 was integrated into international organizations, its growth did not lead again to an imperial Japan, which had entered World War II to exceed its sphere of influence.

The third explained theory is not seen as a separate theory by its chief-proponents Alexander Wendt and Martha Finnemore. Being complementary to the previously explained theories rather than separate from and fully comparable to them, the constructivism approach takes institutionalism further. While within the idea of liberal-institutionalism states do have their own interests and seek to follow and achieve them, the constructivist view implies that these interests do not arise from the states' side. These interests rather come into existence as states communicate and interact with each other, and as a result of this interaction, state interests are defined. The hypothesis posed by this approach is that the Chinese development is already formed through interaction with other states within the international community and therefore does not need to be perceived as a threat to the rest of the world. China has no hegemonial interests and its economic growth is set up for the benefit of all.

A. REALISM/POWER TRANSITION THEORY

The first theory I will lay out in this paper is the power transition theory, which was formulated by A. F. K. Organski and later described in more detail by Jack S. Levy and others. As a part of the hegemonial realism theory, I will first give some background information about realism and its development by describing the balance-of-power-

theory, as explained by Kenneth Waltz. Then, I trace the development of hegemonial powers, as explained by John Mearsheimer, and finally the power-transition-theory as a following realist approach to explain why confrontations between states occur and how they could be predicted and, therefore, be prevented.

The global state structure is an anarchic system, which does not mean that it is mere chaos. Instead, it means no government oversees all states to regulate and enforce laws guiding states' behavior.¹⁷ In this anarchic structure states seek to maximize their own power at the cost of other states. Since there is no super-government above the states to help them prevent other states from engaging in such behavior, they seek a balance of power to ensure their own survival. Waltz names the international system therefore as a system of self-help,¹⁸ since every nation has to help itself, to achieve its goals and survive. Furthermore, it is not a matter of maximizing power rather than balancing (or sometimes even bandwagoning) with others.¹⁹

Mearsheimer goes further than Waltz in stating that every state seeks to maximize its own power to become a hegemonial power: "In short, states do not become status quo powers until they completely dominate the system."²⁰ After securing their own survival as the first and most important goal,²¹ states will make use of all possibilities to change the previously mentioned balance-of-power at the cost of other states. In doing so, they "employ a variety of means—economic, diplomatic, and military—to shift the balance of power in their favor."²² For his theoretic approach Mearsheimer delineates two types of power, latent power and effective power. While latent power is formed by the means which a state has at its disposal including technology, wealth, population, and so forth, effective power means the military assets which are available.²³ Both forms of power are

¹⁷Kenneth N. Waltz, *Theory of International Politics* (Menlo Park, CA: Addison-Wesley Publishing, 1979), 103, 104; and John J. Mearsheimer, *The Tragedy of Great Power Politics* (New York: W.W. Norton & Company, 2001), 30.

¹⁸Waltz, *Theory of International Politics*, 111.

¹⁹Ibid., 127.

²⁰ Mearsheimer, *Tragedy of Great Power*, 35.

²¹ Ibid., 31.

²² Ibid., 34.

²³ Ibid., 55.

strongly intertwined, as latent power can be transformed into effective power.²⁴ He does not mention how long this will take or when states decide on which type of power to focus, but still these types of power are used by states to achieve their goals.

What Mearsheimer does not answer is the question of how the transition of power takes place. The examples in his book describe the ideal types of a state's development into a hegemonial power, and once this goal is achieved, the hegemon tries to maintain a status quo to avoid its own position being challenged.²⁵

A. F. K. Organski provides an explanation for this power transition in his book *World Politics*. Organski describes slightly different goals states seek to achieve, including power and wealth (as the two most important ones), culture, and peace.²⁶ His identified means of power are also different and separate from those Mearsheimer mentions. For Organski population, political structure, economic development, national morale, resources, and geography constitute a state's power.²⁷ States will use these different kinds of power, depending how they are available to them, to increase their position in the global system. He criticizes Waltz's balance-of-power theory and contributes to Mearsheimer's position that states seek to maximize their power to become a hegemon. To achieve this, states have to pass three stages of development and power transition. The first stage is the "stage of potential power,"²⁸ where the state has previously mentioned forms of power at its disposal, but does not use them to increase its overall position. The potential of the country is there, but still the country is in a pre-industrial phase.²⁹ In the following step the state uses the powers at its disposal to become an industrialized state and therefore enters the "stage of transitional growth in power."³⁰ Finally, the state reaches the "stage of power maturity,"³¹ which means that

²⁴ See Klaus Knorr, *The War Potential of Nations* (Princeton, NJ: Princeton University Press, 1956).

²⁵ Mearsheimer, *Tragedy of Great Power*, 35.

²⁶ Alfred F. K. Organski, *World Politics* (New York: A. F. Knopf, 1960), 56.

²⁷ Organski, *World Politics*, 197–201.

²⁸ *Ibid.*, 302.

²⁹ *Ibid.*

³⁰ *Ibid.*, 303.

³¹ *Ibid.*, 304.

the industrialization is fully developed, and technological development takes place and increases economic efficiency.³²

Just as important as these stages of development, Organski names typologies for states, as it seems to determine their behavior. Here he divides countries among “powerful and satisfied, powerful and dissatisfied, weak and satisfied,” and “weak and dissatisfied” categories.³³ While the latter do not have the means to change their situation much, the former two are the decisive factors in the power transition theory. Since it would be a nation’s suicide to challenge a powerful state at the top without enough means and power to do so successfully, a challenger will attempt to change the international system through war and become the hegemon, when the challenger has achieved nearly the same amount of power as the leading state.³⁴ While Organski sees the chance that the challenged hegemon, normally a powerful and satisfied state, feels challenged by newcomers and therefore tries to contain them; parallels in history have shown that the challengers started the wars.³⁵ But Jack S. Levy argues again for both origins of war, as there is the challenger, for Organski the powerful-dissatisfied state and for Levy the revisionist state, which tries to achieve a hegemonial position and therefore starts a war against the current hegemon.³⁶ On the other side, states which are interested in securing their actual position and maintaining the status-quo, try to contain the challenger.³⁷

Realist power-transition theory assumes that there is a state with increasing powers, be they economic—as part of the latent potential, or military—as a mean of effective power, which is leapfrogging with its development the established hegemon. As the emerging power becomes stronger it might start a war against the hegemon to take over its position and become the new hegemon. This war will not happen before a more or less equal distribution of power is achieved, as a war out of a position of weakness

³² Ibid.

³³ Ibid., 326–330.

³⁴ Ibid., 333.

³⁵ Organski, *World Politics*, 333.

³⁶ Jack S. Levy, “War and Peace,” in *Handbook of International Relations*, eds. Walter Carlsnaes, Thomas Risse, and Beth A. Simmons (London: SAGE Publications, 2002), 353.

³⁷ Levy, “War and Peace,” 353.

would be more suicidal than helpful. On the other hand, power-transition theory implies that there is a chance that the challenged hegemon sees the emerging power as a danger to its position and contains the challenger's development by war. This act needs to happen earlier, as the logic behind the first case, equal power means a bigger chance to overcome the current hegemon, is reversed in this case. The stronger the challenger gets, the greater the risk that the status-quo power could lose a possible war and, as a consequence, its position. In times where latent power, instead of effective power, seems to have become more important as a power itself, it seems to play a more and more subordinated role.³⁸ In such cases, economic growth and, therefore, growing power can be already perceived as a threat, long before the latent power is transferred into military means.

Out of this theory the first hypothesis for this paper derives that the fast development of today's China and its needs for resources will be seen as its power increases to first achieve state survival and later to achieve the role of a hegemon, whether regionally or even globally. As all industrialized nations need energy to sustain economic development, the competition for these resources on the global market affects policies and politics, and states' behavior to get access to or to prevent others from accessing these resources. If this is the case for both countries, Japan and China, their economic growth and performance was (and, in the case of China, is) pushed to revise the current order and to achieve a leading—and therefore powerful—position in the international system.

B. LIBERAL INSTITUTIONALISM

This section looks more closely at liberal institutionalism, as the growing interdependencies and international institutions seem to play a more and more important role in the system of international relations. As democratic peace theory is one part of the liberalism theory, the role of institutions has become the subject of different scholars and even led to the emergence of constructivism, which will be dealt with later in this chapter. Since the beginning of the twentieth century the number of international

³⁸ John W. Burton, *International Relations: A General Theory* (Cambridge: Cambridge University Press, 1965), 142.

organizations has been constantly growing.³⁹ Even if some have entered the global stage and disappeared within two decades,⁴⁰ the numbers and importance of these organizations has seemed to grow. As Andrew Hurrell puts it, “central to the ‘system’ is a historically created, and evolving, structure of common understandings, rules, norms, and mutual expectations,”⁴¹ which gives the additional function, international organizations, or better institutions, do play. Especially the last mentioned point of “mutual expectations”⁴² will play a more important role in the constructivism part; the other parts explain what is expected from international organizations. These shared values affect states within these institutions to act according to laws and rules, set as a framework, by contracts for a long-term sustainability of cooperation.⁴³

Within these contracts, international institutions can fulfill different functions, as there are “coercing norm-breakers, mediating among conflicting parties, reducing uncertainty by conveying information, problem-solving, including expanding states’ conception of their self-interest to be more inclusive and longer term, socialization and shaping norms, and generating narratives of mutual identification.”⁴⁴ These functions can work on the use of force, where these institutions might reduce a state’s interest in using force instead of using the institution and its capabilities to get problems solved.⁴⁵ Liberal markets and trade can support these institutions and, furthermore, a peaceful international architecture.⁴⁶ And while economic issues can support institutions, they can in the same way be taken to make use of the six functions mentioned earlier. Economic sanctions can put coercive pressure on the norm-breaker, inside and outside the institution. Current international sanctions against regimes in the world, such as North Korea or the Iran due

³⁹ Bruce Russett and John O’Neal, *Triangulating Peace: Democracy, Interdependence, and International Organizations* (New York: W.W. Norton and Company, 2001), 160.

⁴⁰ Russett and O’Neal, *Triangulating Peace*, 160.

⁴¹ Andrew Hurrell, “Norms and Ethics in International Relations,” in *Handbook of International Relations*, eds. Walter Carlsnaes, Thomas Risse, and Beth A. Simmons (London: SAGE Publications, 2002), 142.

⁴² Hurrell, “Norms and Ethics,” 142.

⁴³ Russett and O’Neal, *Triangulating Peace*, 160.

⁴⁴ *Ibid.*, 163–166.

⁴⁵ *Ibid.*, 166.

⁴⁶ Michael Haas, *International Conflict* (New York: The Bobbs-Merrill Company, 1974), 317.

to their nuclear programs, are institutionalized economic measures against norm-breakers. Institutional integration can affect a states' economy and make integration an achievable and attractive goal, e.g., the People's Republic of China entering the World Trade Organization and thus opening the institution's benefits for China's economy. It may also "accelerate domestic reforms by introducing external pressures."⁴⁷ The WTO is just one international institution to foster economic interdependence and increase the cooperation between states. The Bretton Woods organizations, among them the International Monetary Fund and the World Bank, play another important global role to support economic development in various ways.⁴⁸ Overall institutions seem to play a more and more important role for economic development, liberalization, and finally a more peaceful world.⁴⁹

Out of the liberal-institutional theory the second hypothesis is deduced that an integration of China in more international organizations makes it possible to streamline China's development according to international norms, laws, and to the benefit of the global economy. Chinese interests can be influenced, potential hegemonialism can be contained, and their development would not pose a threat to other states.

C. CONSTRUCTIVISM

An enhancement to the liberal-institutionalism theory is constructivism theory, as elaborated by Martha Finnemore and Alexander Wendt. Finnemore assumes in her book *National Interest in International Society* that states do not know their particular interests. These are developed through interactions in social (international) structures. She uses three different cases: UNESCO to develop national bureaucracies for scientific issues, the development of the Geneva Convention and the implementation in a growing number of states after its declaration, and finally the World Bank and its change in development aid policies, which helped to increase the economic growth of developing states.⁵⁰ According

⁴⁷ Wang Yong, "China in the WTO: A Chinese View," *The China Business Review* 33, no. 5, (Sept./Oct. 2006): 44.

⁴⁸ Russett and O'Neal, *Triangulating Peace*, 168.

⁴⁹ Compare the overall results in Russett and O'Neal, *Triangulating Peace*.

⁵⁰ See Martha Finnemore, *National Interests in International Society* (New York: Cornell University Press, 1996).

to this theory, states do not have their own interests and incentives to work for and achieve certain goals beside those given by international society and organizations. However, Finnemore and Wendt do not see constructivism as a stand-alone theory that should and can be compared with other theories like realism or liberalism; rather, it is an addition to and integral part of the other two theories.⁵¹ While Finnemore does not explicitly mention institutions as the crucial interest-provider for states, all her cases mention international organizations, which finally formulated the interests states later acquired as their own.⁵² So the biggest difference between institutionalism and constructivism by itself is that states in the first case have their own defined interests, which they follow. In the latter, these interests are not self-defined.

The hypothesis emerging from this theory would go further than the one derived from the institutionalism theory. The Chinese economic growth on its own is already a result of social interaction between China and the international community. Therefore, their development need not be seen as a threat, and by defining more norms and laws, Chinese behavior can further be strongly influenced and directed by the international society.

D. CONCLUSION

This chapter has served to outline the theoretical background for this thesis. Which international relations theories will give the foundation for the following comparison between today's China and Japan of three decades ago? Both countries have (or had) to reach out to other countries to secure important raw materials, in particular, oil and gas as energy providing resources.

The following chapters will examine the economic development and the outreach of Japan at the peak of its growth and China currently for natural resources like oil and gas and will show how these two countries behaved according to these theories. Is there a difference in the two approaches, is their economic development supported by these

⁵¹ Finnemore, *National Interests*, 27; and James Fearon and Alexander Wendt, "Rationalism v. Constructivism: A Skeptical View," in *Handbook of International Relations*, eds. Walter Carlsnaes, Thomas Risse, and Beth A. Simmons (London: SAGE Publications, 2002), 56.

⁵² See Finnemore, *National Interests*, Chapters 2, 3, and 4.

ideas? What do the case of Japan and the case of China tell us about these countries' intentions? To answer these questions, the next chapter will begin by explaining Japan's development and its outreach for needed resources, particularly oil and gas, for the purposes of this thesis.

III. JAPAN

This chapter highlights the Japanese economy's development and the resulting need for resources, especially oil and gas, at the peak of the Japanese economic catch-up period in the 1970s. As these energy-rich resources are needed to keep a growing economy running, there are different actions needed to get access to these supplies. The following sections will show that Japan's international goals after its defeat in World War II were to become a global economic power. To achieve this goal, the Japanese government supported strongly economic development and provided policies to achieve economic growth to reach this goal. This quite realistic approach was embedded in international institutions, as Japan entered those institutions during the 1950s. At least those institutions, formed by the Western countries to streamline economic efforts and support economic growth in the West, could support their members' efforts according to the means mentioned in Chapter II of this thesis.

Japan used three main tools to get access to foreign resources. The first was the use of oil companies, as well as trading companies, to extract oil in oil-rich countries or to purchase it on the world market. As this approach aimed to reduce the dependence on the energy world market, a Japanese government agency was established to support and streamline those efforts. Parallel to the oil-producing companies, which were formed mostly in the late 1960s and early 1970s, financial support was provided either to the newly formed companies or directly for the oil-rich countries. This form of financial support consisted of cheap loans and credit, and private funding. The third, and most important, tool was government support, as the first two tools would be too weak without strong government backing. MITI, as the responsible ministry for economic issues and development, provided guidance for all economic-related questions and decisions. Furthermore it streamlined and focused efforts using the other two tools. In addition to the ministry and its efforts, direct government action through diplomacy was taken to support and maintain the needed energy supply. Negotiations at the level of country leaders were used to open doors into resource-rich countries and provide access to these resources.

The next section will give a short overview of Japanese economic development. The sections after that will highlight the three different tools, first the autonomous development approach by oil-companies, followed by financial aid. Finally, governmental support will be explained to complete the description of the tools used.

A. ECONOMIC DEVELOPMENT

Japan in the second half of the nineteenth century was placed in a far off corner of the world, where nobody would have expected this country to play a major economic role one century later.⁵³ Beginning with the Meiji Restoration in 1868 Japan started to catch up with Western, already industrialized, nations⁵⁴ and consequently followed the goal to become better and more advanced than the Western nations.⁵⁵ Since its first steps toward industrialization Japan showed a willingness to adapt Western technologies and use them for its own benefit and economic growth.⁵⁶ Ohkawa and Rosovsky identified different circles of development, but see the ones that started at the beginning of the twentieth century as the most important.⁵⁷ Until World War I this development was financed by governmental investments, since there was a lack of private investors and a strong governmental incentive to increase the military power of the formerly backward and isolated country.⁵⁸

Even in these first economic development steps Japan faced resource scarcity and was therefore forced to acquire needed resources elsewhere. This led to a growing Japanese imperialism, militarism, and finally participation in World War II.⁵⁹ The building of the Japanese Empire aimed for the position of regional hegemon and therefore would have led to access to resource-rich countries to achieve resource

⁵³ Kazushi Ohkawa and Henry Rosovsky, *Japanese Economic Growth: Trend Acceleration in the Twentieth Century* (Stanford: Stanford University Press, 1973), 2.

⁵⁴ Ohkawa and Rosovsky, *Japanese Economic Growth*, 3.

⁵⁵ Nobutoshi Akao, "Introduction," in *Japan's Economic Security*, ed. Nobutoshi Akao (New York: St. Martin's Press, 1983), 2.

⁵⁶ Ohkawa and Rosovsky, *Japanese Economic Growth*, 3.

⁵⁷ Ibid.

⁵⁸ Ibid., 16.

⁵⁹ Ibid., 7.

security.⁶⁰ This very realistic approach ended with the defeat of the Japanese forces and the occupation of Japan by U.S. Forces, which in reality controlled the country during the first years after the war.⁶¹ With its defeat and following occupation, Japan accepted a new constitution, abandoning “war as a sovereign right of the nation and forgoing the maintenance of armed forces (Article 9).”⁶²

At the beginning of the 1950s, Japan signed the San Francisco Peace Treaty and the Japanese-U.S. Security Treaty, which provided military security for Japan, instead of only being neutral.⁶³ With these military security set up for Japan, its declared goals were to become prosperous and economically secure, and to regain its reputation as a leading world power.⁶⁴ Since military security was provided by a strong ally, economic security became more important for Japan.⁶⁵ Olsen puts it more precisely when he states that Japanese economic development after World War II was strongly influenced by the strong Japanese-U.S. ties, but the drive and motivation behind the fast development was singularly provided and done by the Japanese.⁶⁶ The United States supported Japanese development further by integrating Japan into various international organizations, some supporting economic development. Thus, in 1952 Japan joined the International Monetary Fund and the World Bank, the General Agreement on Tariffs and Trade in 1955, the United Nations in 1956, and finally the Organisation for Economic Co-operation and Development in 1964.⁶⁷ Through this integration Japan sought to gain access to the global markets for its own goods.⁶⁸ After the first oil-crisis Japan joined another international organization in 1973, the International Energy Agency (IEA) with

⁶⁰ Ibid.

⁶¹ Ibid., 2.

⁶² Ibid.

⁶³ Ohkawa and Rosovsky, *Japanese Economic Growth*, 2.

⁶⁴ Frank C. Langdon, *Japan's Foreign Policy* (Vancouver: University of British Columbia Press, 1973), 2.

⁶⁵ Akao, “Introduction,” 6.

⁶⁶ Edward A. Olsen, *Japan: Economic Growth, Resource Scarcity, and Environmental Constraints* (Boulder, CO: Westview Press, 1978), 10.

⁶⁷ Akao, “Introduction,” 3.

⁶⁸ Ibid.

the incentive of a more institutionalized way to provide energy security.⁶⁹ This strong involvement in several different international organizations shows strong institutional approaches from the Japanese side. Hence, there seems a shift from realism towards liberal-institutionalism. How did Japan reach out for resources, as they were important for its economic growth and resource scarcity was an ongoing issue?

The postwar economic growth, which began in the 1950s and 1960s, was focused on heavy and chemical industries, and hence was accompanied by an increased need for raw materials.⁷⁰ Material producing and refining industries like steel, oil, petrochemical, and aluminum with the same time development of higher advanced technological industries like cars, ships, and electronics became the backbone of Japan's economic power.⁷¹ In the years between 1960 and 1970 the need for oil in particular increased by 20.4 percent, while the need for natural gas grew by 16.9 percent.⁷² Oil had the highest importance, as it was the primary energy resource and therefore counted for nearly 70 percent of energy needs. The rest was covered by coal and gas.⁷³ This high dependence on oil made the country vulnerable to shortcuts and breakdowns in delivery, as almost all oil was imported.⁷⁴ In addition to this vulnerability, there was no diversification in providing countries; about three-quarters of the needed oil was imported from the Middle East. As a close ally of the United States, this relationship threatened the Japanese energy supply even more, as this bore further political challenges with its policy implications that alliance could bring with it.⁷⁵ Especially the two oil crises in 1973 and 1978/79 increased Japanese efforts to achieve as much energy security as possible with different means.⁷⁶ These means were used before these crises, too, but after the first incident and

⁶⁹ Valerie Yorke, "Oil, the Middle East and Japan's Search for Security," in *Japan's Economic Security*, ed. Akao Nobutoshi (New York: St. Martin's Press, 1983), 55.

⁷⁰ Nobutoshi Akao, "Resources and Japan's Security," in *Japan's Economic Security*, ed. Akao Nobutoshi (New York: St. Martin's Press, 1983), 15.

⁷¹ Akao, "Resources and Japan's Security," 39.

⁷² Akao, "Resources and Japan's Security," 16.

⁷³ Ibid.

⁷⁴ Ibid.

⁷⁵ Yorke, "Oil, the Middle East," 52.

⁷⁶ Ibid.

its impacts on the Japanese economy, Japan started its “resource diplomacy”⁷⁷ to strive for energy security.

What was part of this form of diplomacy? How did Japan try to secure its energy supply? These are key questions as energy security was of foremost importance for maintaining Japan’s economic growth and therefore achieving the goal of becoming more powerful economically than its Western competitors. The following section will identify the four different ways Japan employed resource diplomacy and attempted to gain energy security. The first is entry into yet another international organization, although other steps were more fundamental as they were taking direct action on the Japanese side to get access to foreign oil, gas, and other resources.

As mentioned earlier, one of the measures taken was joining the IEA, which was supposed to streamline the industrialized nations’ efforts to gain energy security, as all of them were affected by the first oil crisis.⁷⁸ Part of this effort was trying to develop the solution to energy-related differences between member states, and the establishment of a future strategy to diminish the negative influence on coming production and price crisis.⁷⁹ In addition to these measures, Japan agreed to stockpile reserves, to reduce its own imports in case of a shortfall in supplies, and therefore to relax the overall effects on the global energy market.⁸⁰ Finally, amongst the members of the IEA there was supposed to be cooperation on how to conserve energy and develop alternative resources to further reduce the impacts of future energy crisis.⁸¹ The formation of such an international organization showed the impact the first oil crisis had on the industrialized nations. Those that were dependent on oil-producing countries, due to their own resource scarcity, had a particularly strong interest in the IEA and its efforts. But Japan did not leave it to the IEA alone; further means were used to secure access to foreign energy resources. Three major tools can be identified here.

⁷⁷ Ibid., 51.

⁷⁸ Ibid., 55.

⁷⁹ Ibid.

⁸⁰ Ibid.

⁸¹ Yorke, “Oil, the Middle East,” 55.

B. OIL-PRODUCING COMPANIES

“Autonomous development” described the Japanese attempt to use their own oil companies to get access to foreign sources. Between 1968 and 1974 the number of oil producing companies increased from one up to 49.⁸² These companies formed ventures in oil-producing countries to increase effort and efficiency.⁸³ In addition to the oil-producing companies, trading companies were used to purchase oil on the global market. Since the early post-World War II years, purchasing oil on the market was the regular way to get needed resources. With the growing demand, long-term purchase contracts were necessary to provide the needed supplies.⁸⁴ The oil-producing companies were newcomers in an industrial branch, where Western companies had a huge advantage, as they were extracting oil on the world market long before Japanese competitors entered the stage.⁸⁵ Privately owned, these new Japanese companies received their capital through governmental loans. In addition to these, private funds (further backed by governmental loan guarantees) by major financial groups like Mitsubishi, Mitsui, and Sumitomo were provided to accumulate capital for the needed oil exploration.⁸⁶

To streamline and direct the efforts and to focus the incentives for oil-producing companies, a governmental institution was founded under the guidance of MITI, the Japan Petroleum Development Corporation.⁸⁷ These oil-producing companies delivered approximately 10 percent of the needed amount of oil back to Japan, and therefore had a small share of the overall need in the Japanese economy.⁸⁸ Parallel to the oil-producing companies, which tried to form oil-extracting ventures in varying regions in the world,⁸⁹ trading companies were tasked to purchase the needed resources on the world market and

⁸² Yuan-li Wu, *Japan's Search for Oil: A Case Study on Economic Nationalism and International Security* (Stanford: Hoover Institution Press, 1977), 63.

⁸³ Wu, *Japan's Search for Oil*, p. 69.

⁸⁴ Akao, “Resources and Japan's Security,” 21.

⁸⁵ *Ibid.*, 22.

⁸⁶ Wu, *Japan's Search for Oil*, 63.

⁸⁷ *Ibid.*

⁸⁸ Akao, “Resources and Japan's Security,” 22.

⁸⁹ Wu, *Japan's Search for Oil*, 63.

in the oil-producing countries directly. These “direct deals”⁹⁰ were supposed to buy needed oil not through international oil-trading companies but directly by Japanese trading companies instead.⁹¹ As this form of deal increased the Japanese control on purchased oil, the risk was in possible higher prices, as countries benefiting from such deals could raise the prices for their resources higher than those on the world market.⁹² But with the increasing need for oil and gas, those forms of deals became one of the supply-pillars of Japan.⁹³

With the “autonomous development” approach, and therefore the founding of oil-producing companies, Japan tried to gain direct access to energy resources, to extract them in the resource-rich countries directly, and to deliver them back to Japan. Financed by governmental loans and private funds, these companies formed ventures in different resource-rich countries and were able to provide around 10 percent of the needed resources to Japan. The rest of the needed oil was still purchased by trading companies, which were relying on long-term contracts, and furthermore were dependent on the price of oil which they had to pay on the world market.

C. FINANCIAL AID/DEVELOPMENT AID

The second tool Japan used to get access to oil was financial aid. A part of it was provided directly to the oil-producing companies, as mentioned in the previous section. Another part was provided as a form of development aid or as foreign direct investment. All sorts of financial support were assessed as a part of the evolution of the developing countries for their own economic and social growth.⁹⁴ Loans provided by Japan were meant to support the resource extraction in the recipient countries; “as part of such contracts, Japanese importers often extend loans or make advanced payments to enable producers to develop new projects or expand existing ones in return for which Japanese import their products. By this means, Japan has been able to secure long-term and stable

⁹⁰ Ibid., 60.

⁹¹ Ibid.

⁹² Ibid.

⁹³ Ibid., 60–65.

⁹⁴ Akao, “Resources and Japan’s Security,” 22.

supplies of raw materials.”⁹⁵ An example of how this foreign aid was used to promote Japanese interests and get access to needed resources was the exploration and development of the Daqing oilfield in China in 1978. A loan was given to the Chinese to buy Japanese equipment and machines to develop this oilfield. Instead of receiving back the loaned money, Japan took the produced oil from this oilfield.⁹⁶ This strategy could be called a loan-for-oil strategy, as it is named for Chinese practices later in this thesis.

As briefly mentioned in the last paragraph, financial support, either for oil-producing companies or as financial help for recipient countries, was the second tool Japan used to get access to oil and gas. As Japan was unable to diversify its supply to different countries, most oil and gas was delivered from the Middle Eastern and Arab countries.⁹⁷ Nearly 80 percent of all needed oil and gas were imported from Saudi Arabia, Iran, and Kuwait.⁹⁸ Exceptions were China and later some other countries in Southeast Asia (especially Indonesia), but their share remained minimal compared to the Middle Eastern states and Saudi Arabia.⁹⁹ So these countries received the biggest share of Japan’s financial efforts to get energy related resources.

D. GOVERNMENTAL SUPPORT

The third and most important tool used was governmental support through financial aid and furthermore by accompanying policies and diplomacy. The achievement of as much energy security as possible was one of the most important goals for Japan; its other goal was to become a leading global economic power.¹⁰⁰ Thus, the government interest in supporting the energy supply with different means was there and strongly used. It became fundamental for Japan to sustain positive relationships with foreign, especially raw-material producing countries, to maintain a stable supply of needed resources.¹⁰¹

⁹⁵ Akao, “Resources and Japan’s Security,” 21.

⁹⁶ Deborah Brautigam, *The Dragon’s Gift: The Real Story of China in Africa* (Oxford: Oxford University Press, 2009), p. 46.

⁹⁷ Wu, *Japan’s Search for Oil*, 73.

⁹⁸ Ibid.

⁹⁹ Ibid.

¹⁰⁰ Akao, “Introduction,” 5.

¹⁰¹ Ibid., 9.

The first and most important governmental agency to exercise this support was the Ministry of International Trade and Industry. This institution controlled and streamlined almost every economic development effort and had a strong influence on almost every economic decision.¹⁰² To get access to foreign resources MITI and the Japanese government supported the outreach with policies by participating financially in “international development schemes, especially in oil-producing countries.”¹⁰³ To streamline all energy-related efforts, MITI created in 1967 the Japan Petroleum Development Corporation (JPDC) as a sub-organization of MITI. This institution had the task to support domestic efforts and to mediate governmental and private issues concerning the oil-companies,¹⁰⁴ as well as to coordinate loans and credits for them.¹⁰⁵ Although this does not mean that all Japanese companies were coordinated by the JPDC before going abroad and investing in foreign countries, at least they all sought MITI’s approval before they started their new projects.¹⁰⁶ This shows the strong role MITI played within economic decisions, and MITI was further able to display its influence in energy-related issues as they were eminent in the economic development of Japan.

Yet it was not only MITI that provided governmental support for the Japanese energy sector. The Japanese prime minister as the highest politician provided sometimes direct support and exerted influence through foreign policies to support Japan’s energy security. One example in this area was the negotiations between Japan’s Prime Minister Kishi and Indonesia’s President Sukarno in 1957. The result of these talks opened the doors for Japanese companies in Indonesia for the following two decades. This included access to raw materials, such as oil and others.¹⁰⁷ Although this example of support was in the beginning of the Japanese post-World War II economic growth, it shows the measures taken by the government officials to support the economic development, wherever possible and when needed. This approach shows another kind of deal, driven by

¹⁰² See Chalmers A. Johnson, *MITI and the Japanese Miracle: The Growth of Industrial Policy 1925–1975* (Stanford: Stanford University Press, 1982).

¹⁰³ Wu, *Japan’s Search for Oil*, 8.

¹⁰⁴ *Ibid.*, 81.

¹⁰⁵ *Ibid.*, 63.

¹⁰⁶ *Ibid.*, 85.

¹⁰⁷ Langdon, *Japan’s Foreign Policy*, 80.

the government, to get access to resources. This “government-to-government”¹⁰⁸ deal was further shown in the case of Iran. Governmental financial support for development of oil-producing companies and refineries, petrochemical complexes, and other facilities was provided for a ten-year term, while Japan received 150 million barrels of oil in return. This approach shows the strong connection between the so-called loan-for-oil strategy and governmental support and direct action.

One more step taken by the Japanese government was its participation in the newly founded IEA, right after the first oil crisis. This organization was to coordinate the industrialized nations’ efforts to prevent another oil crisis and its negative impacts on the local economies in these countries. The tasks of this IEA are mentioned earlier in this chapter and show the more institutionalized approach by the Japanese government.

What Japan lacked (and still does) was a permanent seat in the Security Council of the United Nations organization to exert further influence on energy-related issues. In the 1970s with two oil crises occurring, Japan’s dependence on Middle Eastern oil and its alliance with the United States showed a challenge for Japanese policies. On the one hand it was important to maintain the energy supply; on the other hand, this had to be achieved with a more mature and independent foreign policy which diverged from United States’ interests and policies.¹⁰⁹

Despite all these challenges, the Japanese government took different actions and measures to secure the steady supply of raw materials. A Japanese ministry is responsible for economic issues and influences economic development decisions. Concerning energy related issues, a sub-organization was formed to support and streamline these actions. Where needed, direct political action was taken and provided to maintain the supplies with needed resources.

E. CONCLUSION

The purpose of this chapter was to show briefly the Japanese economic development and its governmental goals after its defeat in World War II. To become a

¹⁰⁸ Wu, *Japan’s Search for Oil*, 62.

¹⁰⁹ Akao, “Resources and Japan’s Security,” 52.

global power again, this time with economic instead of military means, was the declared goal of the Japanese government. Embedded in the most important international organizations, sharing strong ties with the United States, and maintaining a focused governmental engagement to achieve this goal, Japan spurred its economic development, which led to double-digit growth rates during the 1960s and 1970s. Due to its own resource scarcity and specialization in finished, manufactured products, Japan's need for raw materials and energy-rich resources was growing in parallel with the economy. To maintain a stable supply of needed resources, the Japanese government supported its economy with governmental institutions like MITI (and its sub-organizations), direct ministerial support for government-to-government-deals, a variety of financial aid, and finally by providing incentives for private companies to start the autonomous development of foreign resources. These three tools were used by Japan to get access to foreign resources. Oil-producing companies, which received financial support through cheap loans and credits and further benefited from foreign direct investments and foreign aid, supported the autonomous development of resources. Their share was relatively small, just 10 percent of the overall amount. The bigger share was provided by trading companies, which either purchased the needed oil on the world market or directly in the oil-producing countries (as direct deals). Embedded in different economic-related international organizations these approaches show a rather institutionalized approach to resources. This would speak for the institutional hypothesis, as Japan was taking benefit from its alliance with the U.S. and its integration into different organizations to support access to needed resources.

Financial aid and development support provided by Japan was meant as a door-opener into resource-rich countries, which was another approach used by Japan. How far this approach reached for resources other than oil and gas is not part of this paper, but even in the oil-producing countries in the Middle East, this form of support was used to get access to resources.

Finally, governmental support through different means was provided to sustain the supply of needed resources. Was it through its own governmental institutions, or by direct political intervention, that Japan's government inevitably had to step in and take direct action to gain access to the resources needed to achieve national goals. The

declared goals, to become a global power and therefore to overtake the Western industrialized nations, showed a realist approach. If Burton's view, which argues that economic power is more important than an effective military power is correct, then the Japanese efforts to become an economic world power show this realist approach very clearly.

With the ongoing economic development in the late 1970s and early 1980s, securing a stable supply of resources was not the only measure taken by Japan to achieve energy security. Measures were also taken to increase energy conservation, increase energy efficiency, and develop alternative sources for energy. All these efforts were taken to increase Japanese energy independence and to reduce its vulnerability. However, these measures were unable to supplant needed resources like oil and gas completely; therefore, further efforts were still needed as energy independence was a rather difficult goal to achieve. The following chapter will look at the People's Republic of China and its current efforts to access oil and gas and energy-rich resources needed for their growing economy.

IV. CHINA

China's rise and leapfrogging development has "given rise to anxiety, misgivings, and other insecurity in other capitals—Washington in particular."¹¹⁰ Furthermore, its continued development and outreach to access natural resources happens in a competitive market, as all industrialized and industrializing economies need resources. The following sections will examine how China reaches out for natural resources, especially oil and gas, to support its economic growth. How does the Chinese government support its economic growth and its sustainability through corresponding policies towards its neighbors and other countries to get access to oil and gas?

Which of the mentioned hypotheses fits for the People's Republic China? This chapter will argue that it is a high-priority goal for China to achieve energy security as it is important for the sustainability of economic growth. This growth is strongly influenced by the Chinese government, which uses state-owned enterprises, financial investments and aid, and diplomatic support to provide it. Less integrated in international organizations than Japan and with other institutional opportunities, the PRC shows a realist approach to accessing oil and gas. At the same time, the PRC refrains from exercising influence on the resource-providing countries, unlike other countries that push for democratization or growing institutionalization according to international institutions' rules and norms. Even so, the government's survival, if considered equal to the state's survival as the most important goal, is a realist goal according to all realist theorists, especially those mentioned in the first part of this thesis. China's goal of becoming a global economic player parallels very closely the goals of industrializing Japan, as described in the previous chapter.

In the first section of this chapter a short overview of the Chinese development effort and its growing need for oil and gas is provided. As a second part the role of the government and its support in foreign policies will be described. This will give an overview of how the government provides ideas and policies to achieve certain goals and

¹¹⁰Da Wei, "Has China Become 'Tough'?" *China Security* 6, no. 3, (2010): 39.

to access certain places to gain resources. Case studies of Chinese resource-seeking activities in Africa and the Middle East will show the Chinese approach and their outreach.

A. ECONOMIC DEVELOPMENT

Chinese economic growth has been outstanding since the modernization and liberalization reform policies of Deng Xiaopeng in 1978 were initiated. With the change from a centralized, planned economy via the dual-track system and the change from only state-owned enterprises towards both private- and state-owned companies, the Chinese government was able to lift more than a third of its population out of poverty. China's GDP per capita has grown from \$775 in 1980 to \$6500 three decades later.¹¹¹ China's own natural resource reserves of oil and gas make up only lower single-digit numbers in the world, but they were able to cover China's domestic needs until 1994.¹¹² The ongoing economic growth is consequently followed by an increased need for energy providing resources. Whereas the daily needs in 2000 were up to 4.8 million barrels, consumption in 2009 reached 8.5 million barrels a day.¹¹³ Chinese "demand has already outpaced supply and is a growing concern for China's continued economic development."¹¹⁴ Dependence on imported oil will further increase and requires a growing attention to other regions and a global outreach to get it.¹¹⁵

To sustain economic growth and therefore provide for China's further rise as an important and powerful global player, and to keep the regime in power, are among the central core interests defined by the Chinese government.¹¹⁶ Thus, China's ruling elites

¹¹¹Carrie Liu Currier and Manochehr Dorraj, "The Strategic Implication of China's Energy Engagement with the Developing World," in *China's Energy Relations with the Developing World*, eds. Carrie Liu Currier and Manochehr Dorraj (New York: Continuum Books, 2011), 6.

¹¹²Currier and Dorraj, "Strategic Implication," 6.

¹¹³*Ibid.*, 7.

¹¹⁴*Ibid.*

¹¹⁵John J. Mearsheimer, "The Gathering Storm: China's Challenge to U.S. Power in Asia," *The Chinese Journal of International Politics* 3 (2010): 395.

¹¹⁶M. Taylor Fravel, "China Views India's Rise: Deepening Cooperation, Managing Differences," in *Strategic Asia 2011–12: Asia Responds to its Rising Powers China and India*, eds. Ashley J. Tellis, Travis Tanner, and Jessica Keough (Washington, DC: The National Bureau of Asian Research, 2011), 68.

need to sustain economic growth to stay in power.¹¹⁷ To keep the national economic engine going, natural resources, especially oil and gas as energy providers, are required in an increasing amount. Even with measures and means to increase efficiency in energy consumption, the focus on heavy industry like steel- and aluminum-production plants increase the energy need. New and more modern production facilities need less energy than the previous generation, but with an overall increase of facilities, more energy is needed.¹¹⁸ This leads to an ongoing challenge for the government, as international and domestic consequences are to be expected if these resource requirements for growth are not met. First, the domestic challenge could be that a decline in wealth and growth leads to social unrest. Second, international foreign direct investment (FDI) gambles on Chinese economic development aims, which, if not met, could lead to a withdrawal of money. Third, the increased needs for oil and gas lead to heightened international competition on the world market to purchase these resources, as other countries have a lack of their own resource reserves and strong incentives to buy energy resources.

B. NATIONAL OIL COMPANIES/NOCS

The Chinese government uses different means to get access to foreign oil reserves, including the National Oil Companies (NOCs), use of financial and foreign aid, and governmental support through diplomacy and policies which support access to resources in foreign countries.

At the national level there are several actions taken to control the energy sector and to streamline its efforts to increase efficiency and to achieve as much energy security as possible—e.g., the implementation of a National Energy Commission, the National Development and Reform Commission, and the founding of the NOCs represent these efforts.¹¹⁹ While the national energy sector at the governmental level seems to be

¹¹⁷Suisheng Zhao, “Between Rhetoric and Pragmatism,” in *Challenges to Chinese Foreign Policies: Diplomacy, Globalization, and the Next World Power*, ed. Yufan Hao, C.X. George Wei, and Lowell Dittmer (Lexington: Kentucky University Press, 2009), 241.

¹¹⁸C. Fred Bergstein, Charles Freeman, Nicholas R. Lardy, and Derek J. Mitchell, *China’s Rise: Challenges and Opportunities* (Washington: United Book Press, 2008), 141.

¹¹⁹Øystein Tunsjø, *Security and Profit in China’s Energy Policy: Hedging Against Risks* (New York: Columbia University Press, 2013), 40.

underrepresented and still suffers a lack of personnel, the NOCs operate with a strong governmental mandate to supply China with its needed resources.¹²⁰

With the beginning reform of China in the late 1970s and in the early 1980s, the most important NOCs were transformed from governmental agencies into state-owned enterprises: China National Petroleum Company (CNPC), Sinopec, and China's National Offshore Oil Company (CNOOC).¹²¹ The administration and management structures of these companies were carried over from the former ministries. Furthermore the leading managers of these companies were, and continue to be, high ranking party members with an alternate seat in the Central Committee of the Chinese Communist Party.¹²² Hence these companies have political influence, knowledge and expertise, and needed resources at their disposal to play an important role in contributing to China's energy needs.¹²³ The CCP has a strong direct influence over these companies and makes decisions about leading personnel by appointing or dismissing managers and directors. Policy implementation is done by different smaller party institutions, which secure the compliance and the implementation of party goals within these companies.¹²⁴

Thus, it can be clearly seen that the government and the three biggest Chinese oil drilling and extracting companies have strong reciprocal connections and interdependences. While providing diplomatic aid on the political stage, and providing cheap credits and subsidies from governmental side, it was possible for these companies to search for oil in foreign countries.¹²⁵ Although these companies are influenced by the CCP, they still are allowed to sell a huge share of the oil on the world energy market. This increases the financial gains of these companies, which have to pay a part of it to the PRC government,¹²⁶ but they still have control of the majority of their gains.

¹²⁰Erica Downs, "China's Energy Rise," in *China's Rise in Historical Perspective*, ed. Brantly Womack (New York: Rowman & Littlefield Publishers, 2010), 182.

¹²¹Tunsjø, *Security and Profit*, 39.

¹²²Ibid.

¹²³Downs, "China's Energy Rise," 182.

¹²⁴Tunsjø, *Security and Profit*, 41.

¹²⁵Ibid., 76.

¹²⁶Ibid., 41.

These companies get further support from other governmental institutions by providing credits, subsidies, and diplomatic aid to get into foreign countries. Even if the companies sell the majority of their produced oil on the world energy market as other companies do as well, the government can, in case of energy supply emergencies, order these companies to provide their oil to the Chinese economy first. So the first answer to how China gets access to natural resources like oil and gas is via its own NOCs, which are driven by governmental support and guidance into foreign countries to search and drill for oil, and therefore, to support and feed partially the Chinese hunger for energy. Although these companies are the tool to get access to oil, they are on their own not very useful. To be successful in searching for oil, one needs territorial access to where oil might be and must have money to invest, to build, to drill, and to extract. These other important dimensions of resource access are provided by diplomacy, conducted by the Chinese government and by financial aid, which is provided through different channels, but by the same institution, the government of the PRC.

C. FINANCIAL AID/DEVELOPMENT AID

This section examines the ways in which financial aid (and, therefore, sometimes foreign aid) is used by the Chinese government to gain access to foreign countries and their natural resources. It is important to mention here that the foreign aid is not only provided in exchange for natural resources alone. There are many goals China tries to achieve while providing financial aid. It may be for Chinese products in exchange for other raw materials or the opening for new markets; foreign aid is used in many different ways to support the Chinese economy and to present China as a politically attractive partner on the world's stage.¹²⁷ Deborah Brautigam even argues in her book that there are no such *quid pro quo* oil-for-money deals made by China,¹²⁸ but other authors show that there is still a strong reciprocity in these exchanges.

Around the world, in the most important oil-producing countries, either the Chinese government, Chinese banks (state-owned banks like China's Development Bank

¹²⁷Deborah Brautigam, *The Dragon's Gift: The Real Story of China in Africa* (Oxford: Oxford University Press, 2009), 86.

¹²⁸Brautigam, *The Dragon's Gift*, 12.

(CDB) or Chinese Export Import Bank (Eximbank)), or the NOCs have signed “loan-for-petroleum deals.”¹²⁹ Providing the money for China’s long-term supply falls within the responsibility of the CDB.¹³⁰ Although absolute numbers are not openly published by Chinese officials, China’s overseas investments concerning petroleum were higher than \$60 billion in 2009 and 2010. This money was provided to the NOCs, which gave them a stake in 200 investment projects.¹³¹ The current overseas oil deals China’s NOCs have made could provide 7.8 billion barrels in the next few years. Countries like Canada, Brazil, Argentina, Angola, Sudan, and others have sold their oil or their oilfields to the NOCs.¹³² Still there is no certainty when these investments will pay off for these companies, since the extraction of oil in the included countries has not always started.¹³³ Another method for gaining access, as mentioned earlier, is the use of foreign aid. Foreign aid is not specifically a special tool to get access to oil, although there are examples where foreign aid is directly connected to oil. Examples here are Angola, or the Democratic Republic of Congo, where huge credits for infrastructural improvement were contracted. The pay back for these contracts was settled with oil.¹³⁴

There are only a few numbers available concerning the practice of China’s government and banks providing money to get access to foreign oil and gas reserves and the extent to which its NOCs get further direct financial support. Yet it is obvious that many efforts are taken by Chinese institutions to secure the supply for the PRC. State-owned banks provide cheap loans for the NOCs and provide foreign aid and help to oil-rich countries to get access to their natural resources. Especially overseas investments seem to be the means to feed China’s resource hunger. From this perspective, the opening of the Chinese economy and China’s entry into the global market allowed China to use market mechanisms of buying and selling to gain oil and gas.

¹²⁹Tunsjø, *Security and Profit*, 80.

¹³⁰*Ibid.*

¹³¹*Ibid.*

¹³²“China Seals Oil Deals: Map of China’s Major Overseas Oil Deals,” Center of American Progress, accessed March 19, 2014, <http://www.americanprogress.org/issues/green/news/2010/04/27/7650/china-seals-oil-deals/>.

¹³³Tunsjø, *Security and Profit*, 81.

¹³⁴Brautigam, *The Dragon’s Gift*, 278.

D. GOVERNMENT SUPPORT

Chinese government support and policies towards other countries is the last tool for securing access to natural resources like oil and gas. Since China's resource hunger leads to growing competition and frictions in the global energy market, this change has impacts on international politics.¹³⁵ With the former two instruments, NOCs and financial support, crude oil and gas can be extracted and brought on the energy world market and to the PRC. One might think that the policies of money and contracts are sufficient to get the needed access. But on the political stage there are further means.

With the foundation of the PRC in 1949, the Chinese state on the mainland remained unaccepted and unrecognized by the majority of world's governments. China's foreign policies must still be seen in connection with the early declarations formulated in the 1950s and 1960s. The five principles of peaceful coexistence, the communique after the Bandung Conference, and, most important, the "Eight Principles for Foreign Aid,"¹³⁶ together with the fact that China never colonized other countries, contributes to the strong credibility of the benevolence of China's foreign policies. Through negotiations with India the five principles of coexistence were formulated, which included "mutual respect for sovereignty and territorial integrity, mutual non-aggression, non-interference in each other's internal affairs, equality, and mutual benefit and peaceful coexistence."¹³⁷ After the proclamation of these five principles, at the Bandung Conference in 1955 and the participation of 29 African, Middle East, and Asian countries, another declaration on foreign policy was made. Colonization, exploitation, and subjugation are the abuse of human rights, and therefore hamper the development of a peaceful world.¹³⁸ The third step, which is based on the former declarations, was Zhou Enlai's declaration of "China's Eight Principles of Providing Foreign Aid."¹³⁹

¹³⁵Tunsgj, Security and Profit, 198.

¹³⁶Michael B. Yahuda, *China's Role in World Affairs* (New York: St. Martin's Press, 1978), 159, 160.

¹³⁷Han Nianlong, *Diplomacy of Contemporary China* (Hong Kong: New Horizon Press, 1990), 101.

¹³⁸Nianlong, *Diplomacy of Contemporary China*, 105.

¹³⁹Yahuda, *China's Role*, 159, 160.

Most important for this thesis, these principles include China's declaration to provide foreign aid based on reciprocal benefit and equality; non-interference in domestic affairs and non-violation of sovereignty; allocation of interest-free or low-interest loans with extension of pay back schedules, if needed; preservation of recipient countries' independence; provision of short-term projects with high impact; supply of high-quality appurtenances, training, and education of recipient countries' technicians; and assurance that Chinese workers and engineers will share the living conditions of the recipient countries' workers.¹⁴⁰ The PRC still sticks to its declaration of the five principles, the declaration or communique made after the Bandung Conference, and the principles for providing foreign aid, which support their entry into varying resource-rich countries. Also the Chinese government currently takes a benefit out of the fact that China never colonized other countries. This increases the Chinese credibility in the eyes of many, especially African, leaders.¹⁴¹ While the Western world perceives the Chinese approach as neo-colonization and points at it on a regular basis,¹⁴² Dambisa Moyo's definition of colonization, where foreign states do not respect the colony's sovereignty but implement their own rules, laws, and sovereignty, China clearly does not follow this path.¹⁴³ She takes it even further, when stating that China has only economic interests and does not pay any attention to the domestic issues of the respective countries.¹⁴⁴

The former colonization by Western countries challenges and fosters China's access for oil, while influencing its foreign policies in different ways.¹⁴⁵ While the oil-producing countries in Southeast Asia, for example, already had contracts with their former colonizers' petroleum companies, there was no access for Chinese companies. The same situation existed in Africa and the Middle East. The exception in this case where growing diplomatic relationships with Saudi Arabia—supported by United States

¹⁴⁰Ibid.

¹⁴¹Brautigam, *The Dragon's Gift*, 10.

¹⁴²Dambisa F. Moyo, *Winner Take All: China's Race for Resources and What it Means for the World* (New York: Basic Books, 2012), 155.

¹⁴³Moyo, *Winner Take All*, 156.

¹⁴⁴Ibid.

¹⁴⁵Zhao Hong, "China's Energy Relations with Africa" in *China's Energy Relations with the Developing World*, eds. Carrie Liu Currier and Manochehr Dorraj (New York: Continuum Books, 2011), 107.

diplomacy to give the PRC a substitution for Iranian oil—allowed Chinese NOCs to get access to the oil fields.¹⁴⁶ On the other hand, history gave China the opportunities to gain access to countries which shared a colonization history and (which is important in this case) where the Western investors did not express interest, due to political unrest, civil wars, or the aftermath of such exogenous shocks, or simply due to dissatisfaction with the countries' governments and behavior (e.g., Iran or Sudan).¹⁴⁷ In these countries the Chinese approach of not intervening in domestic affairs, as long as Chinese workers are not affected, still proves the commitment to the early communique of the Bandung Conference and the five principles of peaceful coexistence. This commitment and the resulting perception of the PRC allow it to gain access to some of the last less developed oil countries and areas. China's noninterference in domestic affairs, intertwined with a strong disinterest for international affairs concerning human rights violations in certain countries, makes China attractive for oil (and gas) producing countries to invite China to invest, send the NOCs, and extract the resources.

The previous three sections evaluated and examined the Chinese means to get access to foreign countries and their respective oil reserves. The three tools cannot be separated analytically; they are intertwined in practice. The CCP has overall control of the policies, which also means foreign policy. Furthermore, the CCP has a strong influence on the NOCs and controls their personnel issues, which makes these companies a step within the party's career system and nomenklatura. With different political sub-institutions within these companies, the national interests and goals are maintained, and even if the companies are allowed to make money on the world energy market, they are held in the tracks of the CCP and its political and economic goals. Banks play the second largest role in this framework, especially the Chinese Development Bank and the Eximbank. Those two are state-owned credit institutions, which provide the needed loans and investment money for the NOCs. Even if the exact amount of money, and the exact procedures and conditions for the NOCs to get this financial support are kept opaque, without the necessary monetary support a global expansion of these companies would be impossible. But only together with the third tool, foreign policies according to the early

¹⁴⁶Tunsjø, *Security and Profit*, 104.

¹⁴⁷Hong, "China's Energy Relations," 107.

statements drafted two decades before the Chinese economic reforms were started, can the former two tools unfold their power. If the Chinese companies and their money, and the Chinese government with its will to help development, are perceived as a new wave of colonization—or as exploitation—there would be a much smaller part of the world willing to sell their resources or land to China's oil companies.

E. CASE STUDIES

The following section will provide some case studies, where the interlinked adoption of all three means can be explained. There are nuances and differences in different countries concerning how China sustains its own supplies in natural resources, especially oil and gas, but in all examples all three tools will play a stronger or weaker role to achieve this goal. Two African examples of Sudan and Angola will provide the examples of when foreign investment, diplomacy, and the NOCs go into foreign countries, despite criticism from the rest of the world, as human rights violations and authoritarian regimes seem to be supported by the PRC. Iran and Saudi Arabia in the third example show the opportunities China gets if Western companies are hampered in getting access due to international sanctions against current regimes. This example also illustrates how China uses geopolitics to foster its own interests. This access to oil and gas resources differs from the African examples; thus, it shows the variety of approaches and methods China employs to achieve its energy security by providing a diversification of trading partner countries.

1. China and Sudan

The relationship between the PRC and Sudan (which includes both the northern and the southern parts) was founded already in the late 1970s and early 1980s. When oil was discovered in Sudan, Western companies did not go into the country due to the conflict between the government and the southern rebels fighting for their independence.¹⁴⁸ Chinese companies, in the case of Sudan CNPC, went in and filled the empty space.¹⁴⁹ While Sudan was, despite its rich resources, still an oil importer in the

¹⁴⁸Tunsjø, *Security and Profit*, 92.

¹⁴⁹*Ibid.*

1990s, it changed its position with Chinese investments.¹⁵⁰ Sudanese oil is important for China, as it has become the sixth important oil provider for the PRC, with more than 60 percent of its exported oil going to China.¹⁵¹ The overall investment in Sudan's oil sector until 1999 was estimated at \$8 billion, used for building pipelines connecting CNPC's wells with processing plants and an oil terminal in Port Sudan.¹⁵² The amount of further subsidies and loans CNPC received from Chinese banks to sustain its investments are unknown. But a deal between the Sudanese and the Chinese governments was made establishing that foreign direct investment given to Sudan must be spent for Chinese oil companies, while the supervision of progress, as well as the tax and trade revenues, were supposed to return to the Sudanese banks.¹⁵³

However, it would be misleading to portray the relationship between the PRC and Sudan as limited to oil (and related infrastructure) investments. China is known to provide Sudan with small arms, planes, and infrastructure projects, which further foster the relationship between the government in Khartoum and the PRC.¹⁵⁴ While Øystein Tunsjø connects these different kinds of aid and support with the oil business,¹⁵⁵ Deborah Brautigam insists that there is no clear strategic plan and effort in the structure of Chinese investments in Sudan (and over the whole of Africa), which proves a resource exploiting strategy by the PRC.¹⁵⁶ The trading deals with various African countries include African manufactured goods and other resources, which help to increase living standards for many Africans, therefore really giving aid.¹⁵⁷ But Brautigam confirms that Chinese money invested in Sudan goes back to China, as the Sudanese government buys weapons to fight the rebels.¹⁵⁸ To secure its stakes in Sudan and obtain the good relationship with

¹⁵⁰Ibid.

¹⁵¹Hong, "China's Energy Relations," 107.

¹⁵²Tunsjø, *Security and Profit*, 92.

¹⁵³Hong, "China's Energy Relations," 109.

¹⁵⁴Ibid., 93; Brautigam, *The Dragon's Gift*, 281.

¹⁵⁵Tunsjø, *Security and Profit*, 92.

¹⁵⁶Brautigam, *The Dragon's Gift*, 279.

¹⁵⁷Sigfrido Burgos Cáceres and Sophal Ear, *The Hungry Dragon: How China's Resource Quest is Reshaping the World* (New York: Taylor & Francis Group, 2013), 74, 75.

¹⁵⁸Brautigam, *The Dragon's Gift*, 281.

the government in Khartoum, China has used its power and position in the United Nations to hamper a deployment of UN peacekeepers. With growing international pressure before the Olympic summer games in 2008 in Beijing, however, the PRC government and the UN engaged in mediation, which finally allowed the dispatch of UN peacekeeping forces. The implemented sanctions on Sudan that followed were nevertheless reduced in strength by China, so finally the PRC could maintain its relationship with Sudan and still play an important role in geopolitics without risking its energy supply.¹⁵⁹

The example of Sudan shows the use of all three tools to get Sudanese oil for the Chinese economy. The NOCs serve as the first tool. In the Sudanese case it is CNPC which is responsible for finding oil and extracting it. While expanding on the Sudanese oil market, CNPC is assumed to have received financial support from Chinese banks and definitely received the money from Chinese foreign direct investment given to the government in Khartoum. This example shows the strong reciprocity between financial support, foreign aid, and the state owned enterprises, which benefit from this situation. But as the Sudan case further shows, even the Sudanese government benefits out of this deal, as revenues and taxes go back into its state's treasuries, which underlines the impression and perception that colonial exploitation does not take place in the Sudan. In addition to financial aid and market mechanisms of buying and selling, the PRC government provides strong diplomatic support in different ways to sustain the economic relationship. Even though the Sudanese government purchases Chinese weapons for its civil war in the south, it is nevertheless still getting further foreign aid for improvements of the overall infrastructure. And finally on a geopolitical level, where UN sanctions are strongly influenced by the Chinese government, the diplomatic behavior (and as much non-interference in domestic affairs as possible) provides a strong support for CNPC to further extract the needed resources and bring them back to the PRC and/or to sell it on the world energy market.

¹⁵⁹Ibid., 182.

2. China and Angola

The second example, Angola, illustrates the loan-for-oil deals provided by the PRC. A long war of independence, which later turned into a civil war, destroyed almost the entire country.¹⁶⁰ With the end of the civil war at the beginning of this century, Angola had enormous debts and was struggling to repay them. An offer by the International Monetary Fund (IMF) was conditioned by participation in different IMF programs to solve the financial problem. These programs included institutionalization, fighting against corruption, transparency in economics, and other issues.¹⁶¹ Since Angola's oil capacity is estimated up to 2 million barrels per day, and there was still the chance for Chinese NOCs to expand in the region, China offered a credit of \$2 billion unconditionally and with a much longer retention period than usual. The only condition which is mentioned as such was that this money had to be used to rebuild the country's infrastructure.¹⁶² With the Chinese offer Angola's negotiations with the IMF stopped and China provided the needed credit.¹⁶³ To cover this credit, Angola backed this loan with oil,¹⁶⁴ and hence delivers oil to China.

This short example of Angola shows the loan-for-oil approach from the PRC's side towards an African country. China shows clearly its intentions and follows them despite other institutions, which seem to have different incentives. While the IMF was concerned with the governmental policies and corruption in Angola and therefore wanted the government to conduct reforms and intertwined these reforms as preconditions for further credits, China showed no interest in domestic affairs and just offered a loan with nearly no conditions and with a much longer time to repay it.¹⁶⁵

¹⁶⁰Caceres and Ear, *The Hungry Dragon*, 63.

¹⁶¹Bautigam, *The Dragon's Gift*, 274.

¹⁶²Ibid.

¹⁶³Henry Lee and Dan Shalmon, "Searching for Oil: China's Oil Strategies in Africa," in *China into Africa: Trade, Aid, and Influence*, ed. Robert I. Rotberg (Baltimore, MD: Brookings Institution Press, 2008), 119.

¹⁶⁴Tunsjø, *Security and Profit*, 80.

¹⁶⁵The difference between Sudan and Angola might be the younger history of relations between China and Angola, or the fact that Angola has its own state-owned oil company, which was founded in 1976 and is responsible for the oilfields in Angola (see Caceres and Ear, *The Hungry Dragon*, 63).

3. China and Middle East, Saudi Arabia

The third case to show the Chinese approach focuses on the Middle East, with Saudi Arabia and Iran, where the PRC has to consider more political issues and challenges than in its other sources. Here the changing political environment, paired with a need to obtain an open-door-policy to all sides, forces and challenges Chinese foreign policy.

Besides market mechanisms, which influence the price for crude oil and gas, the up and down in Iranian oil and gas imports to China is strongly affected by geopolitical and regional decisions. Since Iran is subject to various UN sanctions due to its nuclear program, China has supported all attempts in the UN Security Council to provide these sanctions.¹⁶⁶ However, the PRC's government has agreed to those sanctions under the condition that energy-related issues were excluded.¹⁶⁷ So China's NOCs (Sinopec and CNPC in Iran) could make further investments. Despite these agreements, oil imports from Iran declined in late 2009 and early 2010, grew during 2010 until 2011, and then decreased again.¹⁶⁸ Tunsjø traces these changes back to market mechanisms and political decisions.

As the UN sanctions (strongly requested by the U.S.) against Iran took hold, China was struggling between its good relations with the U.S. and the PRC's resource needs from Iran. With the ongoing sanctions, Iran needed to sell its oil and gas to get money into its economy. Hence, Iran had to sell its oil below market prices, which made the oil even more attractive to China.¹⁶⁹ But due to political pressure from the U.S. and the Saudis, there were some restrictions to reduce the amount of Iranian oil. Nevertheless, the Saudis filled the gap left after the decline in Iranian oil imports, and seemed to be more than willing to sell their oil to China. First, because the Saudis were afraid of an Iranian nuclear program, as was the U.S., and second, the Saudis could decrease their dependence on oil exports to the U.S. as they got access to a new, and in the future even

¹⁶⁶Tunsjø, *Security and Profit*, 103.

¹⁶⁷Ibid.

¹⁶⁸Ibid.

¹⁶⁹Tunsjø, *Security and Profit*, 105.

bigger, energy market than the U.S.¹⁷⁰ But even with growing investments, and stronger economic and political cooperation between Saudi Arabia and the PRC, the latter is still receiving oil and gas from Iran and further tries to keep a good relationship with it to sustain the NOCs' access to the needed resources.¹⁷¹

The case of these two countries shows how the PRC uses its political weight in geopolitics to shape events and institutional decisions according to its own needs. It further shows that the PRC is not immune to political pressure from other powers, but proved itself to be flexible to changing situations and able to adapt its policies to sustain its basic needs, in this case for natural resources like oil and gas. This flexibility gives the PRC the opportunity to keep open doors in all directions and to benefit from all possibilities without damaging its reputation and jeopardizing its own supply.

F. CONCLUSION

To sustain further economic growth and therefore maintain the CCP's power in China, the satisfaction of domestic energy needs is inevitable. This chapter has examined the PRC's ways to get access to resources like oil and gas, as they are the most effective energy providers. Three major tools, which the PRC uses to get access to and to influence resource-rich countries, were identified.

First, there are the national oil companies, which play the most important role in exploring and extracting the resources, while consuming (unknown) amounts of financial support from the Chinese government. These NOCs go into foreign resource-rich countries to get the oil and the gas out and then ship it back to China or sell it directly on the energy world market, which is important to stay competitive as the revenues accumulate for more capital.

The second important tool is financial aid. It can be provided, as mentioned previously, directly to the state-owned oil companies or can be offered to the resource-rich countries, which then invest it in Chinese companies for improvements, for example,

¹⁷⁰ Ibid., 104.

¹⁷¹ Ibid., 105.

in their infrastructure. This financial aid could be provided as foreign direct investment, foreign (development) aid, or as loan-for-oil deals. In most cases these loans carry attractive conditions concerning the payback-modalities and no conditions concerning the recipient's domestic or political affairs, such as demands for less corruption or more institutionalization. These better conditions are still rooted in the eight principles of foreign aid announced by Zhou Enlai in the early 1960s during his numerous African journeys. With growing Chinese economic power, influence, and self-confidence, this form of support can be sustained in the future.

Just as declarations of various principles affect the allocation of financial support, Chinese foreign policies are strongly influenced by them as well. The non-interference in domestic affairs, non-violation of states' sovereignty, and the mutual benefits of relationships give the Chinese approach credibility. Using these principles seems less exploitative and therefore not like colonization, and hence increases the different countries' willingness to allow Chinese companies to seek and extract oil and gas. All three means go together, with a different emphasis applied in different countries. But after all, China makes perpetual use of these tools and uses them to get access to countries, which can provide the PRC with the needed resources.

V. COMPARISON

After the general and separate descriptions of the two countries in the previous chapters, it is time to compare both countries, with respect to their methods for obtaining resources like oil and gas, and with respect to the hypotheses described at the outset of this thesis. With respect to the power-transition theory and the underlying realism theory, there are certain ways of behavior to expect from both countries. Besides the theoretical assumption of an anarchic world that has no superior guardian providing law and order amongst states, both countries must look out first and foremost for their own survival. Having achieved this goal, the development of power and accumulation of it would be the next step to become a regional hegemon. If there is already one leading power in the region, the development of a challenger will proceed until the challenger has accumulated enough power to challenge the hegemon. By contrast, the current hegemon is aware of potential challengers and contains them before they become too dangerous. If we divide power, as Mearsheimer and other theorists have done, into the two different kinds mentioned in the Chapter II, development of effective—military—power is most important. To achieve this power accumulation, economic power as a latent power seems to be inevitable to achieve a sustainable form of effective power. So both countries must have some form of economic development. If the theoretical development of the thought that economic power is even more important in the modern world than military power, there is no further need for countries to transform latent power into military power.

But how does that fit to Japan in the 1970s and current China? Both countries have connected and still connect their national interests with economic growth. While Japan decided to become an economic global power, the PRC needs further economic development and growth to maintain the Communist's party rule over China.¹⁷² So, economic growth is important for both countries, as it ensures state survival and further development into a leading position. This approach fits completely into realist theory. Both countries seek their own survival first, followed by a sort of power development to become a leader—a hegemon—in some way. Both countries have strong interests in their

¹⁷² Langdon, *Japan's Foreign Policy*, 2; Fravel, "China Views India's Rise," 68.

own economic development and therefore a strong governmental interest to take influence. As this was the case for Japan and still is for China, the supplies of energy-rich resources like oil and gas needed to feed their growing economies was the focus of their respective governmental institutions, as shortfalls in energy supplies would affect their economies on the grand scale. This is very similar for both countries, especially since both face resource scarcity in the cases of oil and gas. Even if China was an oil exporter until 1994, since then its need for these resources has exceeded the country's own production, which therefore might be considered resource scarcity.

A. OIL-PRODUCING COMPANIES/NOCS

To ensure the supply of these needed resources, Japan as well as China formed oil-producing companies, which were tasked to develop oil and gas fields in foreign countries and extract the needed resources. While the Japanese government tended to provide incentives for the establishment of private oil-producing companies,¹⁷³ the Chinese government transformed former responsible governmental institutions into national oil companies.¹⁷⁴ The Japanese oil-producing companies were in part funded by private capital providers, which got their credit backed by governmental money. When they appeared in the world oil market, these companies were already latecomers in comparison to the Western economies, and therefore had to get experience first. But even with this autonomous development approach, Japan received around 10 percent of its needed oil through its own oil-producing companies.¹⁷⁵ The rest of the needed oil is purchased by trading companies, which then sell it on the Japanese market.¹⁷⁶ As these companies multiplied during the 1970s, it is obvious that they faced fierce competition even amongst themselves, which led to a declining number of these companies and government-supported projects in that time period.¹⁷⁷

¹⁷³ Wu, *Japan's Search for Oil*, 63.

¹⁷⁴ Tunsjø, *Security and Profit*, 39.

¹⁷⁵ Akao "Resources and Japan's Security," 21.

¹⁷⁶ Ibid.

¹⁷⁷ Wu, *Japan's Search for Oil*, 61, 71.

The Chinese companies work differently from the Japanese. They are funded by governmental financial support and the Chinese government even prevents competition among those companies on the national level. While bidding for foreign resource fields and locations, governmental guidance dictates which company goes to which place. This does not mean that these companies do not compete with each other, but their efforts are still governmentally streamlined to increase their output.¹⁷⁸ While the Japanese companies delivered their extracted resources back to Japan (see earlier discussion), the Chinese companies are allowed to sell the majority of their oil on the world market. This increases their own capital and gives them additional competitive power in comparison to the other global oil companies. Today the Chinese companies have the same disadvantage the Japanese companies had three decades earlier; they are newcomers in an already developed and capital-intensive industrial branch. As Tunsjø puts it, the Chinese companies do not have a protectionist approach,¹⁷⁹ which could be assessed as a realist hegemon approach. They still do participate in the energy world market by providing sellable resources. However, in case of urgency, the Chinese government can redirect the oil and gas from their own companies to China, which would take these resources directly from the world market into the Chinese economy.¹⁸⁰

Japan in the 1970s and present-day China have used the same tool, oil-producing companies, to extract the needed resources of oil and gas directly. As did Japanese companies earlier, the Chinese companies get strong financial support and backing from the government to achieve their important goals. But while the Japanese companies had to exist in strong competition not only within the world energy market but amongst each other, the Chinese firms are more focused and streamlined. Their competition on the world market ensures their economic survival in the industrial environment, while the state prevents a destructive competition between them if they are potentially trying to get access to the same sources. These slight differences show the variations countries might choose to feed their energy needs. Nevertheless, especially in the case of China, there is no protectionist approach visible currently, but as the companies are state-owned and run

¹⁷⁸ Tunsjø, *Security and Profit*, 42.

¹⁷⁹ Tunsjø, *Security and Profit*, 12.

¹⁸⁰ Ibid.

by, or better through, the party, this approach can be chosen easily. At least there is a chance for China, to redirect its share of the world energy market directly into its own economy, if such measures are needed.

B. FINANCIAL AID/DEVELOPMENT AID

The second tool both countries have used is financial support. In this case, there is even a learning process to recognize. Japan used financial support for its companies, guided and directed by MITI and its sub-organization JPDC. Money was provided as capital for the oil-producing companies, as these companies were latecomers in a capital-intensive industrial branch. The same accounts for current China. The state-owned enterprises get loans and credits from the government to expand their activities in the world market. In addition to that, the Chinese companies sell a share of their production on the world market to accumulate their own capital further and repay some of their funds to the government as well.¹⁸¹

Another dimension of financial aid is provided to the recipients—energy-rich countries. Financial and developmental aid was provided by the Japanese government to China to develop the Daqing oilfield at the end of the 1970s, when the relations between Japan and China eased up (according to the parallel ongoing rapprochement in the Sino-U.S. relations). Japan provided development aid to China to explore the oil field and to build the needed infrastructure and industrial complexes to extract the oil. With the money came conditions on its uses. Finally, it was reinvested in Japanese oil companies, Japanese equipment, and Japanese knowledge. This way of connecting conditions with financial development aid ensured the further growth of the Japanese economy, as they were exporting goods and products, in this case machines and more. In addition to these benefits, the development aid was provided in the form of a loan, which had to be paid back by the Chinese. This repayment was done in oil, thus it was a loan-for-oil deal.

This system was later copied by the Chinese government and companies when they moved out to extract oil and gas as needed resources. This special kind of loan-for-oil deal is rather uncommon for Chinese approaches. They act more according to their

¹⁸¹ Tunsjø, *Security and Profit*, 41.

different proclaimed principles of the early 1950s and 1960s concerning international relations, especially with the developing world; however, in countries like Angola they still chose this approach. Other countries that receive Chinese financial aid, like Sudan, allow Chinese companies to build the needed infrastructure to transport oil and gas, and to ship it. Sudan also allows the Chinese companies to extract the oil and uses the money it gets from China to buy other Chinese items, such as commodities and weapons.¹⁸² So the Japanese approach is still visible, as the Chinese copied it years later when they had to start moving into foreign countries to get access to resources.

This way of providing financial aid but connecting conditions to it, to ensure a backflow of at least a part of this development aid into its own economy again, can be seen as some sort of a realist approach. There is financial help for a developing country provided, but instead of just providing help, the money gets guided back into the sender states' pockets. This might lead on the one hand to a positive perception of the help-providing countries; on the other hand, it is a form of helping their own economy by providing markets for their own products, and furthermore for preventing other countries' products from getting purchased. This kind of economic behavior can be assessed as a realist approach, as it aims at protecting the own economy and preventing others from having a share of a certain market.

Japan in the 1970s and China today have both used and continue to use financial aid as the second tool to get access to needed resources. Either as direct loan-for-oil deals, which were the preferred method for Japan, or as developmental aid with a share for the government and the redirection of the money via other economic channels, as preferred by China. Both countries use the money to get the needed resources. But both have a similar strategy behind the use of financial aid, which is provided to developing countries. The spent money is supposed to be used for products and commodities produced in the donating countries. This form of economic protection of markets can be assessed in both cases as a realist approach, as it strengthens the own economies and secures foreign markets for the own products. In addition, there is a constructivist twist

¹⁸² Hong, "China's Energy Relations," 93; Brautigam, *The Dragon's Gift*, 281.

explaining China's behavior, in that it shows an element of learning from Japan's outreach in China in the 1970s.

C. GOVERNMENTAL SUPPORT

The third means both countries have used and still use is strong governmental support to get access to needed resources. The following discussion will show the differences and similarities in the two countries' behavior to support access to resources and achieve the highest possible amount of energy security. Not only do the differing political systems affect the type of government support, they also affect the comparative participation in international organizations and relations with other nations, as allies once influenced Japan's approach and today also influence China's approach.

First of all it needs to be stated that all previously mentioned tools are useless and would not gain access to oil and gas if there were no government support. Backing of credits and loans, providing diplomatic support by opening doors into foreign countries' economies through negotiations, or participating in international organizations, which can provide international support and some sort of protection through laws and norms to a certain extent, can be provided by governmental support. As the supply with energy-rich resources is most important for both countries to sustain their economic growth in the phase in which they are compared in this paper, there was a strong governmental interest in providing as much support as possible.

Overall the Japanese government's support showed an institutional approach to getting access to oil and gas. Entering a newly formed international organization to coordinate the energy supplies with other energy-consuming nations showed a path, which was likely to follow the institutional theory. With the other two means to get access to oil and gas, the question remains whether the participation of institutions really follows the liberalism theory, or whether the institutions were just another tool to achieve the goal of accumulating economic power to become a global economic power. In this case, the participation in the IEA was meant to support the Japanese efforts to sustain the supplies of oil and gas to keep their economy growing.

The Chinese government's support to get access to oil and gas started earlier as economic growth. As the newly founded People's Republic of China sought international recognition it formulated different principles to express China's approach to other developing countries. Still acting according to these principles supports the Chinese approach. The Chinese do not interfere in domestic affairs within the countries they extract the resources from. This Chinese behavior can be assessed as conforming to the realism theory, as the ideas and values of international organizations, which are normally formulating sanctions in those countries, are undermined by China's efforts and its behavior. This is exemplified in the case of Angola, where efforts from the International Monetary Fund and the World Bank were completely annulled by the Chinese loan-for-oil deal, or in the case of the Iran, where China used its permanent seat on the UN Security Council to exert influence according to its needs.

Therefore a clear realist approach from the Chinese side is to be seen, which further might raise the question regarding to what extent the Chinese are willing to act according to the power-transition theory. With the ongoing economic interdependence and participation in the World Trade Organization, a classical power-transition according to the theory explained in the first chapter is hardly to expect in the near future. How this might change in future, when China is able to accumulate more economic power and increase its influence in international politics, is unpredictable.

D. CONCLUSION

The comparison of Japan and China shows that Japan thirty years ago got access to oil in a strategic, concerted manner that today the Chinese are also employing and, to some extent, emulating. The means both countries have used and still use seem similar, as they both use oil-producing companies, financial support and aid, and strong governmental influence to get access to resources. But within these similar methods there are still differences in the ways these tools are used. While Japan emphasizes private efforts, backed and guided by governmental support, the Chinese government is directly involved. The NOCs are state-owned enterprises with strong connections into the party's nomenklatura. Financial and development aid was provided by Japan on the condition that the money be used to buy other Japanese products and goods, which redirected the

money into the Japanese economy. Today's China does the same, but as the development aid is provided according to the eight principles of foreign aid which puts constraints on the Chinese efforts to provide the best equipment, this approach is finally not perceived as exploitative and negative. This goes directly together with the support provided by the Chinese government. These principles were declared by the Chinese government and are still a guideline for the companies and the government. Japanese firms did not have such constraints for their outreach into foreign countries; nevertheless, their efforts were also backed by the government. The MITI and its sub-organization, JPDC, gave guidance to energy-related industries. Furthermore their financial support was streamlined by these institutions.

While Japan joined several international organizations to support its economic growth, China was excluded from the majority of these. Especially Japanese participation in the IEA after the first oil crisis shows a more liberal-institutional approach by Japan, while their other ways of getting access to resources seems rather realist. The use of oil-producing companies, which are tasked to extract the oil in the foreign countries and send it back to Japan, shows a more protectionist way of getting oil for the Japanese economy. The way financial support is used and redirected into the Japanese economy by placing conditions on the use of the aid is another protectionist approach. This ensures the Japanese economy access to markets and finally keeps the foreign and development aid in its own economy. So it is difficult to assess the institutionalism in the Japanese government's efforts. As the use of the other two means looks rather like realist theory, this institutionalization within the Japanese interests could just be another step to achieve the realist goal, to become a global economic power.

For China a realist approach is clearly visible. First, China is not participating in as many international organizations as Japan is. China is not a member of the IEA, which means China does not have to act according to IEA regulations on how to provide energy security, and China is not coordinating its efforts with other energy-consuming countries. Furthermore China uses its position, power, and influence in the United Nations to influence possible economic sanctions against countries that are important Chinese energy suppliers, as was shown in the case of Iran. If the shortfalls in resources can be supplemented by other countries, then China is willing to cooperate and act according to

the other members of the UN Security Council. If there is no possible alternative source of energy resources, Chinese influence will be exerted to reduce the effect of UN sanctions on energy suppliers so that Chinese interests are not jeopardized.

What can be taken as a constructivist approach is the Chinese way of copying the Japanese three decades earlier. This copying could be seen as the influence from the Japanese approach which proved successful and thus seems to be taken by the Chinese. But still there are slight differences, which give their approach some Chinese characteristics.

So, finally, there could have been a partly institutional approach by the Japanese government, and a constructivist by the Chinese. But as stated already, these approaches seem rather likely to be chosen to support the overall realist aim of becoming a global economic power. For China there is a clear realism approach visible. All its actions are aiming at system survival and economic leapfrogging to overtake the old industrialized nations to become a global player. When the Chinese economic development will lead to a power transition, if it ever will, is unpredictable. But if they are able to sustain their current growth and their ways of getting access to needed resources, and maintain domestic stability, this goal might be achieved someday.

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VI. CONCLUSION

This thesis sought to answer the question of how Japan in the 1970s and 1980s and the current People's Republic of China get access to needed resources, and if these approaches can be compared. As oil and gas are the most important fuels for industry, which every growing economy needs, the focus has been particularly on these two resources.

Table 1 in the Appendix gives a short summary of the uses, means, and tools the two countries studied have employed or continue to employ to access these resources beyond their home countries, and relates these methods to the previously described international relations theories.

As is shown here while there might be some sort of liberal-institutional approach exhibited by Japan, this is certainly not the case for China. But it is also important to see that many of the Japanese approaches were still realist, as they all served the Japanese overall goal to overtake the Western nations and become a global economic power. Japan has achieved much of this goal. Japan has overtaken the majority of the old industrialized world, except the United States. Now even overtaken by China, Japan is still one of the leading economic powers in the world. China, by comparison, uses international organizations such as the UN and its position within that organization to show a strong realist approach. The Chinese were only willing to agree to economic sanctions against Iran, for example, after certain conditions were met and when China could not find a comparable alternate source of oil and gas. Furthermore, to protect its supply of energy resources from Iran, China went so far as to undermine the Western sanctions against Iran. This further Chinese power play illustrates its own position to secure national interests, as well as the willingness of Western nations to accept these national interests and to negotiate and bargain with China accordingly.

The comparison of the methods the countries use to access foreign countries' resources, however, cannot enable us to predict how China, in particular, will behave in future. But this comparison does show the strong national interests which drove both countries to use a variety of means to maintain stable energy supplies, as these supplies

were most important to support further economic growth. While both countries have started to develop technologies and alternative energy sources to decrease their dependence on these resources, the need is still there and the means are still used, especially in the case of China. The need will further grow and therefore pose a challenge to other developing and developed nations as oil and gas become even scarcer in the future. How the competition for these resources will develop in the future is also hard to predict. But the Chinese approach of non-interference and China's history as a country that has never colonized another country make it possible that China's position here is advantageous to other countries in its search for resources.

APPENDIX

	<u>States goal:</u>	<u>Oil-producing Companies:</u>	<u>Financial/development aid:</u>	<u>Governmental support:</u>	<u>International Relations Theory:</u>
Japan (1960–1980)	- economic growth to become an economic global power and overtake the old industrialized Western nations	<ul style="list-style-type: none"> - privately funded - receiving guidance from MITI and JPDC - had to deliver resources back to Japan and sell it there - oil-trading companies bought oil and sold it to Japan 	<ul style="list-style-type: none"> - provided as loans and credits for oil-producing companies (government-backed private loans and credits) - developmental aid to energy-rich countries (such as China in 1970s) - condition: with the developmental aid Japanese technology and knowledge had to be purchased and the help, provided as a loan, had to be repaid in oil - foreign direct investment by oil producing companies in resource-rich countries 	<ul style="list-style-type: none"> - economic guidance and advice by governmental institutions (MITI, JPDC) - government-to-government deals, providing needed resources with long-term contracts - direct government involvement as door-opener into resource-rich countries - integration within varying international organizations (ITO, GATT/World Bank, UN, IEA) 	<ul style="list-style-type: none"> - no power-transition theory but strong realist approaches: 1.) goal to become a global (economic) power 2.) protecting markets by conditioning use of development aid 3.) redirecting extracted resources to Japan -in addition liberal-institutional theory: 1.) integration within different global organizations
People's Republic of China (current)	- economic growth to sustain government's power in China	<ul style="list-style-type: none"> - State owned, and CCP-controlled global acting companies - CCP-controlled management positions and protection from domestic competition - sell the majority of the extracted resources on the world market 	<ul style="list-style-type: none"> - provided as loans and credits for oil-producing companies -foreign/ development aid to energy-rich countries -conditions on how to use development aid, but providing shares of the extracted resources -foreign direct investment by oil producing companies in resource-rich countries 	<ul style="list-style-type: none"> - principles of behavior/code of conduct toward other countries as guidelines for NOCs: - non-interference in domestic affairs (no PRC-government or NOC constraints) as most important principle - use of influence within the UN Security Council to reduce the effect of economic sanctions, when they seem to affect China's needs 	<ul style="list-style-type: none"> -no power-transition theory, but strong realist approaches: 1.)economic growth to ensure survival of the government 2.)undermining institutional efforts by influencing possible sanctions in the UNSC to ensure needed supplies 3.)non-interference despite state's behavior against human rights, etc. -much smaller integration in international organizations does not show a more liberal-institutional approach

Table 1. Comparison of Japan (1970–1980) and current People's Republic of China with respect to international relations theories.

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